

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number _____

Meeting Type: Regular

Meeting Date: 6/14/2012

Action Requested By:
Human Services

Agenda Item Type
Resolution

Subject Matter:

College Counts 529 Fund Plan

Exact Wording for the Agenda:

Resolution authorizing the Mayor to make the College Counts 529 Fund Plan available to city employees.

Note: If amendment, please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what Council action will provide, allow and accomplish and; any other information that might be helpful.

This voluntary benefit will offer city employees a payroll deduction tax-savings means for investing in college education for their children, grandchildren or others.

Associated Cost:

Budgeted Item: Select...

MAYOR RECOMMENDS OR CONCURS: Select...

Department Head: Byron K. Thomas

Date: 6/14/2012

ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: Human Resources

Council Meeting Date: 6/14/2012

Department Contact: Deloise Manning

Phone # 256-427-5241

Contract or Agreement: College Counts 529

Document Name:

City Obligation Amount:

Total Project Budget:

Uncommitted Account Balance:

Account Number:

Procurement Agreements

Select...

Select...

Grant-Funded Agreements

Select...

Grant Name:

Department	Signature	Date
1) Originating	<i>Byron K. Thomas</i>	6/6/12
2) Legal	<i>Debra S. Carter</i>	6/6/12
3) Finance	<i>[Signature]</i>	6/6/12
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

RESOLUTION NO. 12-_____

WHEREAS, the City of Huntsville has recently evaluated the "College Counts 529 Fund Plan" as a means of offering City employees a payroll deduction tax-savings means for investing in college education for their children, grandchildren or others; and

WHEREAS, making the "College Counts 529 Fund Plan" available to City employees will provide additional enhancements to the City's employee group benefits without additional costs to the City;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Huntsville, Alabama that the Mayor is hereby authorized, requested and directed to make available to City employees, as soon as practicable but no later than January 1, 2013, the "College Counts 529 Fund Plan" as a voluntary participation payroll deduction group benefit, in the form substantially described and included herein as Attachment "A", consisting of approximately 82 pages.

ADOPTED this the _____ day of _____, 2012.

President of the City Council of the
City of Huntsville, AL

APPROVED this the _____ day of _____, 2012.

Mayor of the City of Huntsville,
Alabama

President of the City Council for the
City of Huntsville, Alabama
(Date)

ENROLL ONLINE
CollegeCounts529.com

GIVE SMART.

The CollegeCounts 529 Fund makes it easy for friends and family to help give the gift of a college education. Parents, grandparents and others can give smart by investing in a child's education through the CollegeCounts 529 Fund. It's an intelligent way to prepare for the high expense of college. The program is easy, offers significant tax advantages, can allow for higher contributions than many other college saving vehicles and provides many other benefits. Plus, practically anyone can give towards the fund.

INTELLIGENT PORTFOLIO OPTIONS

We've carefully crafted portfolios with sound strategic options. Our Age-Based Portfolios, Target Portfolios and Individual Fund Portfolios allow you to select investments ideal for you. Plus the benefit of quality fund families including The Vanguard Group, T. Rowe Price, Fidelity and PIMCO.

TAX ADVANTAGE

One of the advantages of our CollegeCounts 529 Fund is the tax benefits. Alabama residents can claim up to \$5,000 per individual and \$10,000 if married filing jointly in state tax deductions annually when they contribute.¹ Meanwhile, investments can grow tax-deferred. Plus, when it is time to use the funds for qualified college expenses, funds can be withdrawn tax-free.² Please note: Withdrawals for non-qualified expenses may be subject to state and federal income taxes as well as a 10 percent federal penalty tax.

EDUCATION FLEXIBILITY

Your CollegeCounts 529 Fund can be used nationwide at most accredited universities, colleges, trade schools and even graduate schools. Plus, funds can be used for more than just tuition—room and board, books, fees and other qualified education expenses.²

THE ECONOMICAL CHOICE

If you're an Alabama resident and enroll direct, there are no enrollment or annual account fees.* Plus, there is no minimum amount required to get started, and you can set up automatic payments to your investment plan to make saving even more convenient.

*Other charges and expenses apply. See Program Disclosure for complete information.

THE LIFETIME INVESTMENT

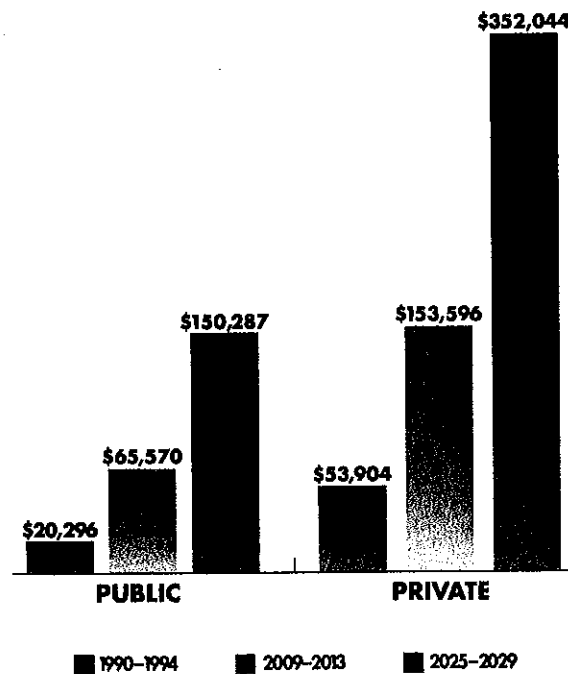
According to the 2008 American Community Survey, the average Alabamian in 2008 with a high school degree made \$25,583. The same year, the average Alabamian with a bachelor's degree made \$43,144. Over a lifetime, the gap between a high school and a college graduate's potential income can grow to more than \$1 million. While the cost of college may seem steep, the expense of not obtaining a diploma can be overwhelming.



COLLEGE STICKER SHOCK

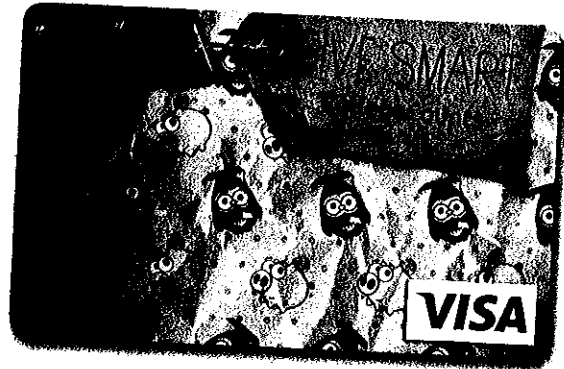
Eighteen years from now, an education at a four-year public university could cost \$150,287. At a four-year private university, the cost could be more than \$350,000.*

*Estimates based on 2009-10 inflation-adjusted tuition, fees, and room and board, as reported in The College Board's "Trends in College Pricing," 2009.



COLLEGECOUNTS 529 REWARDS VISA® CARD

Everyday purchases can now mean even more savings. Earn 1.529% on purchases for investment into your CollegeCounts529 Fund with this Rewards Visa® card. When the rewards earnings reach \$50 or more, the funds will be automatically invested on a quarterly basis into the CollegeCounts 529 Fund you designate. If you have multiple accounts, you can even split your rewards equally among up to three accounts. So the more you use your card, the more money is invested into the fund for your child's college education.



Encourage family and friends to get a CollegeCounts 529 Rewards Visa® and save even more when they allocate their rewards for everyday spending to your child's CollegeCounts 529 Fund.

Apply online and review full details, rates, fees, costs, and terms and conditions at CollegeCounts529.com or call 866.529.2228.

The CollegeCounts 529 Rewards Visa® is administered and issued by Union Bank & Trust Company. Full details are provided in the CollegeCounts 529 Rewards Visa® Card Application and Disclosures along with the Terms and Conditions. Subject to credit approval.

AGE-BASED PORTFOLIOS

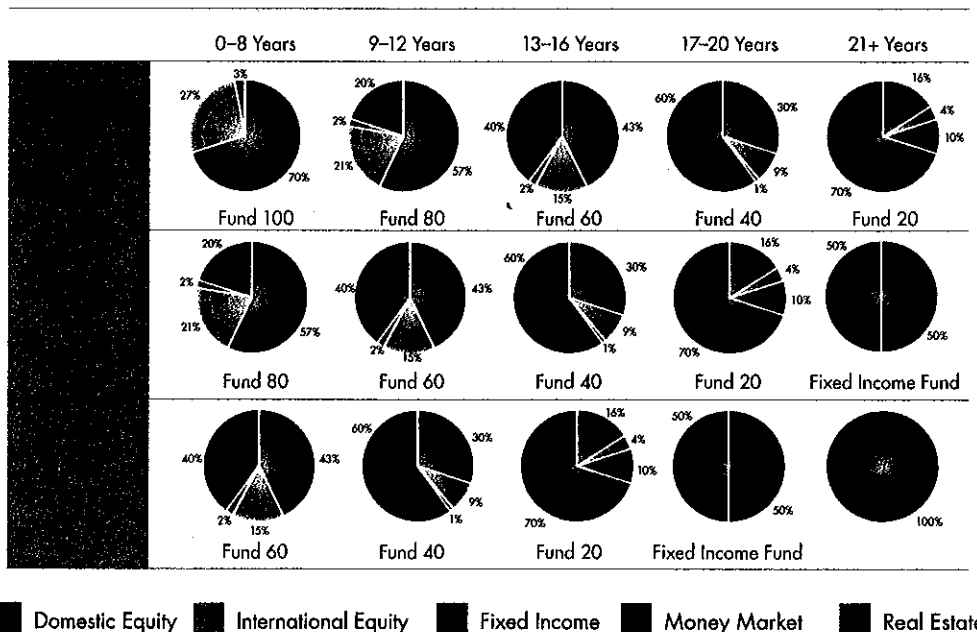
These intuitive portfolios simplify the investment process by doing the work for you. They consider how many years until a student enrolls in college, and diversify accordingly. When students near college, their money moves automatically from an investment in a higher percentage of stocks to a higher percentage of bonds and cash. The objective is to create growth potential in the early years and reduce fluctuations in the account as college approaches. The graph below shows how assets are diversified.

The Aggressive option places investments in mutual funds focused heavily on stocks in the early years. Stocks have the potential for the highest returns, but also are the most risky. They can be ideal for longer time horizons where stock values can potentially ride out peaks and lows. College savings for a newborn child are initially invested 100% in stocks. At age 10, the portfolio has begun to shift and is invested 80% in stocks and 20% in bonds. As the beneficiary nears college age, the portfolio is invested 40% in stocks and 60% in bonds.

The Moderate option invests in mutual funds more balanced between stocks and bonds. This allocation between stocks, bonds and cash has more moderate return potential than Aggressive, but also has less risk. College savings for a newborn child are initially invested 80% in stocks and 20% in bonds. At age 10, the portfolio has begun to shift and is invested 60% in stocks and 40% in bonds. As the beneficiary nears college age, the portfolio is invested 20% in stocks, 70% in bonds and 10% in cash equivalents.

The Conservative option is the least risky of the Age-Based Portfolios, but also has the lowest return potential. This asset allocation model offers mutual funds that concentrate primarily in bonds and cash with a lower allocation to stocks in comparison to the other two Age-Based options. College savings for a newborn child are initially invested 60% in stocks and 40% in bonds. At age 10, the portfolio has begun to shift and is invested 40% in stocks and 60% in bonds. As the beneficiary nears college age, the portfolio is invested 50% in bonds and 50% in cash equivalents.

AGE OF BENEFICIARY



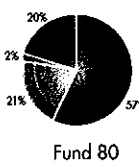
TARGET PORTFOLIOS

Target Portfolios let you invest in the asset class of your choice from six portfolio options. These diversified investment portfolios provide a set allocation of equity (stock), fixed income (bond), and money market (cash and cash equivalent) investments. You can select an investment strategy that fits your risk tolerance, from aggressive to conservative. Your portfolio will be rebalanced on an ongoing basis to maintain the targeted asset allocation. And unlike the Age-Based Portfolios, these do not adjust their asset allocation based on the age of the beneficiary.



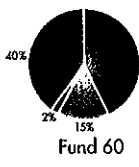
Fund 100

Fund 100 is the most aggressive of the target portfolios and seeks maximum capital appreciation by investing approximately 97% of its net assets in a broad range of domestic and international equity investment funds. The remaining 3% of its net assets are invested in real estate investment funds. This strategy is only appropriate for investors who have longer time horizons, who are comfortable with an increased level of risk while seeking higher longer-term returns, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments.



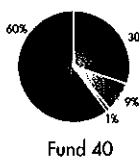
Fund 80

Fund 80 is an aggressive target portfolio which seeks a high level of capital appreciation and some income by investing approximately 80% of its net assets in a broad range of domestic equity, international equity and real estate investment funds, with the remaining 20% invested in fixed income investment funds.



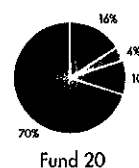
Fund 60

Fund 60 is a moderately aggressive target portfolio which seeks capital appreciation and income by investing approximately 60% of its net assets in a broad range of domestic equity, international equity and real estate funds, with the remaining 40% invested in fixed income investment funds.



Fund 40

Fund 40 is a more conservative target portfolio which seeks moderate income and capital appreciation by investing approximately 40% of its net assets in a broad range of domestic equity, international equity and real estate investment funds, with the remaining 60% invested in fixed income investment funds.



Fund 20

Fund 20 is an income-oriented target portfolio which seeks income and some capital appreciation by investing approximately 20% of its net assets in a broad range of domestic equity and international equity funds, 10% of its net assets in money market mutual funds, and 70% of its net assets in fixed income investment funds.



Fixed Income Fund

The Fixed Income Fund is the most conservative of the target portfolios and seeks to preserve principal with less volatility than an all-bond portfolio while providing modest current income by investing approximately 50% of its net assets in money market investment funds and 50% in fixed income investment funds.

FUND FAMILIES

The CollegeCounts 529 Fund features mutual funds from respected mutual fund families for enhanced choices and diversity.



INVESTMENT ALLOCATIONS

For account holders invested in Age-Based and Target Portfolios, the following chart details the asset allocations and underlying mutual funds of those investments.

AGE BASED PORTFOLIO		AGE OF BENEFICIARY						
	AGGRESSIVE	0-8	9-12	13-16	17-20	21+		
	CONSERVATIVE			0-8	9-12	13-16	17-20	21+
Target Portfolios	Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Fixed Income Fund		
Underlying Mutual Funds								
Vanguard Prime Money Market Fund*					10.0%	50.0%	100.0%	
MONEY MARKET TOTAL	0.0%	0.0%	0.0%	0.0%	10.0%	50.0%	100.0%	
Vanguard Total Bond Market Index Fund		15.0%	33.0%	51.0%	59.0%	38.0%		
Vanguard Inflation-Protected Securities Fund		5.0%	7.0%	9.0%	11.0%	12.0%		
FIXED INCOME TOTAL	0.0%	20.0%	40.0%	60.0%	70.0%	50.0%	0.0%	
Vanguard REIT Index Fund	3.0%	2.0%	2.0%	1.0%				
REAL ESTATE TOTAL	3.0%	2.0%	2.0%	1.0%	0.0%	0.0%	0.0%	
Vanguard Total Stock Market Index Fund	70.0%	57.0%	43.0%	30.0%	16.0%			
DOMESTIC EQUITY TOTAL	70.0%	57.0%	43.0%	30.0%	16.0%	0.0%	0.0%	
Vanguard Total International Stock Index Fund	27.0%	21.0%	15.0%	9.0%	4.0%			
INTERNATIONAL EQUITY TOTAL	27.0%	21.0%	15.0%	9.0%	4.0%	0.0%	0.0%	
Equity	97.0%	78.0%	58.0%	39.0%	20.0%	0.0%	0.0%	
Real Estate	3.0%	2.0%	2.0%	1.0%	0.0%	0.0%	0.0%	
Fixed Income	0.0%	20.0%	40.0%	60.0%	70.0%	50.0%	0.0%	
Money Market	0.0%	0.0%	0.0%	0.0%	10.0%	50.0%	100.0%	

*An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of the investment at \$1.00 per share, it is possible to lose money by investing money in the fund.

INDIVIDUAL FUND PORTFOLIOS

Individual Fund Portfolios let you truly customize an asset allocation strategy. You have the freedom to tailor your choices to meet specific education investment goals, to select from as many portfolios as you wish, and to determine and set your asset allocations. These portfolios can be more volatile than the broadly diversified Age-Based Portfolios or the Target Portfolios. Major asset classes are represented, including money market, fixed income, balanced, real estate, domestic equity and international equity, offering low- to high-risk tolerance options.

CUSTOMIZE YOUR PORTFOLIOS

Money Market	Vanguard Prime Money Market 529 Portfolio*
Fixed Income	PIMCO Short-Term 529 Portfolio Vanguard Intermediate-Term Bond Index 529 Portfolio Vanguard Total Bond Market Index 529 Portfolio PIMCO Total Return 529 Portfolio Vanguard Inflation-Protected Securities 529 Portfolio
Real Estate	T. Rowe Price Balanced 529 Portfolio
REIT	Vanguard REIT Index 529 Portfolio
Domestic (U.S.) Equity Large-Cap	Vanguard Value Index 529 Portfolio Vanguard 500 Index 529 Portfolio Vanguard Total Stock Market Index 529 Portfolio Vanguard Growth Index 529 Portfolio
Domestic (U.S.) Equity Mid-Cap	Vanguard Mid-Cap Index 529 Portfolio Vanguard Extended Market Index 529 Portfolio Fidelity Advisor Mid Cap II 529 Portfolio
Domestic (U.S.) Equity Small-Cap	Vanguard Small-Cap Value Index 529 Portfolio Vanguard Small-Cap Index 529 Portfolio Vanguard Small-Cap Growth Index 529 Portfolio
International Equity	Vanguard Total International Stock Index 529 Portfolio

*An investment in the money market 529 portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market 529 portfolio seeks to preserve the value of the investment at \$1.00 per share, it is possible to lose money by investing in the portfolio.

THE COLLEGECOUNTS 529 DIFFERENCE

Key Factors					
Contribution limit	\$300,000 maximum account balance ³	\$2,000 per beneficiary per year ⁴	\$5,000 per individual per year ⁵	None	None
Alabama state income tax-deductible contributions					
Change of beneficiary allowed	Yes	Yes	N/A	No	N/A
Age restrictions for contributions					
Age restrictions for withdrawals	None	Before age 30 ⁷	None	N/A ⁸	None
Income restrictions					

³The combined maximum account balance limit for the CollegeCounts 529 Fund and all other Section 529 programs established and maintained by the State of Alabama for a particular beneficiary cannot exceed \$300,000. Although account balances can grow beyond that amount, no additional contributions can be made once the balance reaches \$300,000.

⁴Unless extended, certain CESA benefits will expire December 31, 2010. If this occurs, the contribution limit will be \$500 per year and withdrawals for elementary and secondary education expenses (i.e., K-12) will no longer be tax-free.

⁵You may be able to cash in qualified U.S. savings bonds without having to include in your income some or all of the interest earned on the bonds if you meet certain conditions, including: you pay qualified education expenses for yourself, your spouse, or a dependent for whom you claim an exemption on your return; your modified adjusted gross income is less than \$85,100 (\$135,100 if married filing jointly or qualifying widow(er)) – 2010 limits; your filing status is not married filing separately; the U.S. savings bond is a series EE bond issued after 1989 or a series I bond; the savings bond must be issued in your name (as the sole owner) or in the name of both you and your spouse (as co-owners); and the owner must be at least 24 years old before the bond's issue date. Please check with your tax advisor for details and information regarding your specific situation.

⁶A deduction, not to exceed \$5,000 per taxpayer, is allowed as an adjustment to income on the Alabama income tax return for contributions to the CollegeCounts 529 Fund or the PACT Program. The deduction may equal an amount up to \$10,000 for married taxpayers filing a joint return where both taxpayers are making such contributions into the CollegeCounts 529 Fund or the PACT Program (closed to new investors).

⁷Contributions can be made for a beneficiary from birth to age 18. The account may remain open until the beneficiary reaches age 30, with certain limitations.

⁸Custodianship typically terminates when a minor reaches age 18 or 21.

⁹CESA eligibility phases out at \$95,000–\$110,000 adjusted gross income (\$190,000–\$220,000 for joint filers). Please check with your tax advisor for details and information regarding your specific situation.

Risk Considerations

You can lose money by investing in a portfolio. Each of the age-based, target, and individual fund portfolios involves investment risks, which are described in the Program Disclosure Statement and which should be considered before investing. International investments involve risks such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging markets. Small and midsize companies may increase the risk of fluctuations in the value of your investment. Portfolios that invest in bonds are subject to risks such as interest rate risk, credit risk, and inflation risk. As interest rates rise, the prices of bonds will fall. The value of your account will fluctuate with market conditions. When you withdraw funds, you may have more or less than your total contributions to the account. For more risk information on the portfolios and the underlying funds in which they invest, see the Program Disclosure Statement.

JUST THE FACTS

What are the tax benefits?

- Alabama state income tax¹ deduction for contributions:
 - Up to \$5,000 for individuals
 - Up to \$10,000 if married filing jointly
- Tax-deferred growth
- Tax-free withdrawals for qualified college expenses²

What are qualified expenses?²

- Tuition
- Fees
- Supplies
- Equipment
- Books
- Room and board (must be enrolled at least half-time)
- Computer (2010)
- Computer equipment (2010)
- Internet access and related services (2010)

What schools qualify?

- Any accredited postsecondary education institution
- Public and private colleges and universities
- Two-year vocational, trade, technical and professional schools
- Alabama schools, national schools and some foreign schools

How can I contribute?

- Send a check.
- Establish an automatic investment plan.
- Roll over funds from another 529 plan.
- Establish a payroll deduction at work.
- Transfer reward dollars earned with a CollegeCounts 529 Rewards Visa® Card.

Who can contribute?

- Parents
- Grandparents
- Relatives and friends
- Anyone can contribute on behalf of the beneficiary



HOW TO GET STARTED

- Determine how much you plan to save for your loved one's future education.
- Select an investment portfolio that can help you build college savings.
- Complete an enrollment form online at CollegeCounts529.com or call 866.529.2228 for an enrollment kit.
- Utilize the helpful online tools at CollegeCounts529.com to help you plan and get started:
 - College savings calculator
 - List of eligible schools
 - College savings resources
 - Program details
 - Online enrollment

ENROLL ONLINE
CollegeCounts529.com

The CollegeCounts 529 Fund is a qualified tuition program under Section 529 of the Internal Revenue Code that is offered by the State of Alabama administered through Board of Trustees of the 529 Fund Building, Trust, and Pension Fund, marketed as the CollegeCounts 529 Fund, and Union Bank's Trust Company serves as Program Manager. Accounts and investments under the CollegeCounts 529 Fund are not insured or guaranteed by the FDIC, the State of Alabama, the State of Alabama Treasury, or the Board of Trustees of the 529 Fund. Union Bank is Trust Company of an officer only.

Before investing, you should consider the investment objectives, risks, fees, expenses, and other consequences associated with the Program. All of this information is contained in the Program Disclosure Statement. Please read it carefully before investing. For a copy, call 866-529-2223 or visit CollegeCounts.com.

If you or your beneficiary is not an Alabama resident, whether you have assets in the home state of your beneficiary, beneficiary offers a qualified tuition program that provides a state tax deduction or other benefits to residents who invest in that program.

Union Bank's Trust Company and the State of Alabama Treasury's office do not render tax or legal advice. This material is not intended for, and cannot be used by, any taxpayer to avoid penalties that may be imposed under federal tax laws. Investors should consult a tax advisor regarding their individual situation.

A deduction, not to exceed \$5,000 per taxpayer, is allowed as an adjustment to income on the Alabama income tax return for contributions made to the CollegeCounts 529 Fund of the PACT Program. The deduction may equal an amount up to \$10,000 for married taxpayers filing a joint return where both taxpayers are making such contributions into the CollegeCounts 529 Fund of the PACT Program (closed to new investors).

Withdrawals used to pay for qualified higher education expenses are free from federal and Alabama state income tax. These expenses include tuition, fees, books, supplies and equipment required for enrollment at a qualified institution of higher education. Room and board is considered a qualified higher education expense if the student is enrolled on at least a half-time basis. Computers, computer equipment, and Internet access and related services that the beneficiary or the beneficiary's family uses during the time the beneficiary is enrolled are also considered qualified higher education expenses if paid or incurred in 2009 or later.

Not FDIC Insured | May Lose Value | No Bank Guarantee



Offered by the
State of Alabama

529 SERVICES, a division of
UNION BANK
A TRUST COMPANY
Program Manager

866-529-2223 or CollegeCounts.com

Enrollment Form

Counts

529 FUND

- ENROLL ONLINE at CollegeCounts529.com

– or –

- Complete this Enrollment Form to establish an Account. Please return this completed form, check(s), and any other documents to:

Regular Mail:

CollegeCounts 529 Fund
PO Box 85290
Lincoln, NE 68501-5290

Overnight Mail:

CollegeCounts 529 Fund
6811 S. 27th Street
Lincoln, NE 68512

- For assistance, please call toll-free: 866.529.2228.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents. If this information is not provided, the Program Manager may be delayed or unable to open your Account and accept your investment.

1

Account Type (Please check only one and complete the appropriate information)

- ☐ **Individual Account** (Complete all sections except Section 5.)
- ☐ **UGMA/UTMA Account** (Provide the Custodian's information in Section 2 and the Minor's information in Section 3.)
- ☐ **Trust or Entity Ownership** (Complete Section 5 instead of Section 2.)

2

Account Owner Information

The Account Owner, who is at least 19 years old, is the person who controls the Account, names the Designated Beneficiary, directs withdrawals, and receives the Account statements.

First Name

M.I.

Last Name

□□□-□□-□□□□

□□-□□-□□□□

Social Security Number

Date of Birth

Gender: ☐ M ☐ F

Residency Status: ☐ U.S. Citizen ☐ U.S. Resident Alien

Account Mailing Address

City, State, ZIP

Permanent Address (if different from above; no PO Boxes)

City, State, ZIP

Phone

E-Mail Address

Questions? Please call toll-free 866.529.2228.

3

Designated Beneficiary Information

The Designated Beneficiary is the individual whose qualified higher education expenses will be paid from the Account.

First Name

M.I.

Last Name

 - -

Social Security Number

 - -

Date of Birth

☐ Please check this box if the Beneficiary's address is the same as the Account Owner's.

Permanent Address (no PO Boxes)

City, State, ZIP

4

Successor Account Owner (Optional)

Not permitted for UGMA/UTMA Accounts. The person or entity named below will be the Successor Account Owner in the event of the death of the Account Owner. You may update the Successor Account Owner at any time.

First Name

M.I.

Last Name

☐ Please check this box if the Successor Account Owner's address is the same as the Account Owner's.

Mailing Address

City, State, ZIP

 - -

Social Security Number

 - -

Date of Birth

- OR -

 -

Taxpayer Identification Number (if applicable)

 - -

Date of Trust (if applicable)

5

Trust or Other Entity Information

Complete if you are establishing a Trust or Other Entity as Account Owner.

Name of Trust or Other Entity (Copy of Trust Document Required)

 - -

Date of Trust/Date of Entity

Name of Trustee(s) or Corporate Officer

 -

Tax Identification Number

Mailing Address

City, State, ZIP

Permanent Address (if different from above; no PO Boxes)

City, State, ZIP

Questions? Please call toll-free 866.529.2228.

The Plan offers three different investment approaches. Select from Portfolio options A, B, or C. Your initial and future contribution(s) will be invested based on your following selection. Each investment Portfolio is explained in the Program Disclosure Statement and any supplements, which you must read and agree to before completing this form. For more information on the investment Portfolios, please visit CollegeCounts529.com or refer to the CollegeCounts 529 Fund Program Disclosure Statement.

- ☐ **A. Age-Based Portfolios** – Assets are invested in a mix of stocks, bonds, and money market funds allocated according to the age of the Designated Beneficiary. As the Designated Beneficiary approaches college age, the investment will move to an increasingly conservative allocation. If you've checked box (A), select one of the following:

☐ **Aggressive Portfolio**

☐ **Moderate Portfolio**

☐ **Conservative Portfolio**

- ☐ **B. Target Portfolios** – The asset allocations of these Portfolios remain fixed or "static" within a specified range. If you've checked box (B), select one of the following:

☐ **Fund 100**

☐ **Fund 80**

☐ **Fund 60**

☐ **Fund 40**

☐ **Fund 20**

☐ **Fixed Income Fund**

- ☐ **C. Individual Fund Portfolios** – Create your own investment mix from one or more of the 529 Portfolios below. If you've checked box (C), select one or more of the following (*must total 100%*).

Money Market

_____ % Vanguard Prime Money Market
529 Portfolio

Fixed Income

_____ % PIMCO Short-Term 529 Portfolio

_____ % Vanguard Intermediate-Term Bond
Index 529 Portfolio

_____ % Vanguard Total Bond Market Index
529 Portfolio

_____ % PIMCO Total Return 529 Portfolio

_____ % Vanguard Inflation-Protected
Securities 529 Portfolio

Balanced

_____ % T. Rowe Price Balanced 529 Portfolio

Real Estate

_____ % Vanguard REIT Index 529 Portfolio

Domestic (U.S.) Equity

Large-Cap

_____ % Vanguard Value Index 529 Portfolio

_____ % Vanguard 500 Index 529 Portfolio

_____ % Vanguard Total Stock Market Index
529 Portfolio

_____ % Vanguard Growth Index 529 Portfolio

Mid-Cap

_____ % Vanguard Mid-Cap Index 529 Portfolio

_____ % Vanguard Extended Market Index
529 Portfolio

_____ % Fidelity Advisor Mid Cap II 529 Portfolio

Small-Cap

_____ % Vanguard Small-Cap Value Index
529 Portfolio

_____ % Vanguard Small-Cap Index 529 Portfolio

_____ % Vanguard Small-Cap Growth Index
529 Portfolio

International Equity

_____ % Vanguard Total International Stock Index
529 Portfolio

Investment Products: Not FDIC Insured, No Bank Guarantee, May Lose Value.

Questions? Please call toll-free 866.529.2228.

Check all that apply. Use this section to select the funding type(s) for your initial investment and/or for subsequent investments. You may select more than one option.

A. ☐ Enclose a Check made payable to "CollegeCounts 529 Fund" \$, .

B. ☐ **Deposit of UGMA/UTMA Custodial Assets.** I am funding this custodial CollegeCounts 529 Fund Account with the proceeds from the sale of assets held in a custodial account that was established under a Uniform Gift/Transfer to Minors Act (UGMA/UTMA) for the benefit of the Beneficiary indicated in Section 3 of this Enrollment Form. I have read the Program Disclosure Statement and Account Agreement and understand that I will be considered the custodian of this Account as UGMA/UTMA custodian for such Beneficiary. I understand that this means I will not be able to change the Beneficiary on this Account, nor make Nonqualified Withdrawals other than for the benefit of such Beneficiary. I understand that these same restrictions will apply to other Contributions made to this Account, regardless of the source of the funds.

C. ☐ **Transfer/Rollover Into the CollegeCounts 529 Fund:***
You may transfer funds from another 529-qualified tuition program, directly transfer funds from a Coverdell Education Savings Account, or contribute proceeds from United States Savings Bonds. Certain rules and requirements must be met.

For more information, consult the CollegeCounts 529 Fund Program Disclosure Statement and your financial, tax, or legal advisor.

☐ **Direct Rollover from another Qualified 529 Plan***
You must complete a Rollover Form and submit it with this Enrollment Form. \$ _____

☐ **Funds from a Coverdell Education Savings Account***
You must complete a Rollover Form and submit it with this Enrollment Form. \$ _____

☐ **Funds from a qualified U.S. Savings Bond***
Return the U.S. Savings Bond statement from your financial institution with this Enrollment Form. \$ _____

*You are responsible for providing the CollegeCounts 529 Fund with the breakdown between contributions and earnings of the amount of the transfer/rollover. Please provide an account statement from the prior financial institution detailing the contribution portion (basis) and the earnings portion of the contribution. If a breakdown is not provided, we are required by law to treat the entire amount as earnings in computing future withdrawals.

D. ☐ **Payroll Deduction.** Complete the Payroll Deduction Form (check with your employer as to availability) and return it with this Enrollment Form.

- E. ☐ **Automatic Investment Plan** - Allows automatic contribution transfers from your bank account into a CollegeCounts 529 Fund Account, as well as automatic deposit of distributions from a CollegeCounts 529 Fund Account.

\$, .

Frequency: (check one)

☐ Weekly

☐ Twice a Month

☐ Monthly

☐ Quarterly

☐ Annually

Timing:

Day of the Week (circle one): Monday Tuesday Wednesday Thursday Friday

Days of Month: _____ & _____
(If not provided, the transfers will occur on the 7th & 21st of the month.)

Day of Month: _____
(If not provided, the transfer will occur on the 17th of the month.)

Day of the Month (i.e., 1-31): _____

Check One:

- ☐ January, April, July, and October
☐ February, May, August, and November
☐ March, June, September, and December

Month _____ and Day of Month (i.e., 1-31) _____

Bank Account Information:

1. Bank Name: _____

2. Bank Routing Number:

3. Bank Account Number: _____

4. Account Type: ☐ Checking ☐ Savings

Your bank account will be linked to your CollegeCounts 529 Fund Account so that you may purchase or sell shares by telephone or online at CollegeCounts529.com.

YOUR NAME		123
TAPE YOUR PREPRINTED VOIDED CHECK OR SAVINGS ACCOUNT DEPOSIT SLIP HERE		
PAY TO THE		12-34
		\$ _____
		DOLLARS
SAMPLE		
BANK NAME AND ADDRESS		
MEMO		
:123456789		34568:

Bank Routing Number

Bank Account Number

VOID

I hereby authorize the Program Manager to initiate debit entries to the bank account indicated above, and the bank indicated above to debit the same amount. This authority is to remain in full force and effect until the Program Manager has received notification from me of its modification or termination in such time as to afford the Program Manager 10 business days to act on it. I understand that if a transaction cannot be made because of insufficient funds or because either account has been closed, this service will be canceled by the Program Manager. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of applicable law. I further agree that if my draft is dishonored for any reason, with or without cause, the Program Manager will not bear any liability.

Union Bank & Trust Company may correct any transaction errors with a debit or credit to my financial institution account and/or my CollegeCounts 529 Fund Account.

Please allow approximately 10 business days for the first transfer. Please retain a copy of this authorization for your records.

X

Signature of Bank Account Owner

Date

Questions? Please call toll-free 866.529.2228.

The Account Owner must sign and date this section in ink below:

- ☐ I acknowledge that I have received and read the current Program Disclosure Statement, Account Agreement, and this Enrollment Form and agree to be bound by the Account Agreement, the Act, and the Rules with respect to each Account I establish.
- ☐ I am 19 years of age or older. I am a U.S. citizen or a U.S. resident alien.
- ☐ I acknowledge that Accounts established under the CollegeCounts 529 Fund and their earnings are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency; are not a deposit or other obligation of Union Bank & Trust Company; are not guaranteed by the Board, the State of Alabama, the State Treasurer of Alabama, or Union Bank & Trust Company; and are subject to investment risk, including loss of principal.
- ☐ If established with a Trust as Account Owner, by signing this Enrollment Form the undersigned Trustee or Trustees certify that the provided trust agreement (or excerpts thereof) is a true copy of the current and valid legal document(s) and that there are no other Trustees of the Trust other than those listed in Section 5.
- ☐ I hereby ratify any telephone instructions given pursuant to this authorization and agree that the Board, Program, State, and Program Manager will not be liable for any loss, liability cost, or expense for acting upon such instructions. I understand that telephone calls may be recorded by the Program Manager, and I consent to such recordings.
- ☐ The information I have provided on this form is accurate and true.
- ☐ I certify that if I am funding this Account from a 529 rollover or transfer for the same Designated Beneficiary, there have been no other rollovers for the same Designated Beneficiary in the previous 12 months.
- ☐ I understand each Account established herein is governed by an arbitration clause, which is set forth in Section 12 of the Account Agreement. I acknowledge receiving a copy of the arbitration clause.
- ☐ I understand that providing my e-mail address gives the Program Manager permission to send me information about the CollegeCounts 529 Fund and services via e-mail.

CERTIFICATION. Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number, and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or U.S. resident alien, a domestic trust, an estate, a partnership, corporation, or company created or organized in the United States or under the laws of the United States.

If you are a resident of a state other than Alabama, you should check with your home state to see if it offers a Section 529 program. That program may offer state tax or other benefits to residents of that state which may not be available to investors in programs of other states.

X

Signature of Account Owner

Date

Print Name Here: _____ Title (if other than an individual is establishing the Account)



Offered by the
State of Alabama

UBT 529 Services a Division of

UB UNION BANK
& TRUST COMPANY.

Program Manager

Questions? Please call toll-free 866.529.2228.

Rollover Form

CollegeCounts

529 FUND

For more information
visit CollegeCounts529.com

- Complete this form to initiate a rollover/transfer of assets from another 529 college savings plan or Coverdell Education Savings Account (CESA) to your CollegeCounts 529 Fund Account.
- Contact your current 529 program manager or Coverdell Education Savings Account custodian to determine if a Medallion Signature Guarantee is required. Many do require a Medallion Signature Guarantee. Without this, the rollover may be delayed. (See Section 6)
- Return this completed form and an account statement from the current program. **Please note:** If you do not already have a CollegeCounts 529 Fund Account, complete and enclose an Enrollment Form with this Rollover Form.

Regular Mail:

CollegeCounts 529 Fund
PO Box 85290
Lincoln, NE 68501-5290

Overnight Mail:

CollegeCounts 529 Fund
6811 South 27th Street
Lincoln, NE 68512

- For assistance, call toll-free: 866.529.2228.

1 Source of Rollover (check one)

- ☐ Another 529 college savings plan
- ☐ Coverdell Education Savings Account (CESA)

For instructions on liquidating or contributing U.S. Savings Bond proceeds, see the U.S. Savings Bonds Contribution Form.

2 CollegeCounts 529 Fund Account Information

The Account listed below will be the recipient of the rollover transaction.

Account Number

Account Owner Social Security Number

Account Owner First Name

M.I.

Last Name

Phone

E-mail

Beneficiary First Name

M.I.

Last Name

Beneficiary Social Security Number

3 Current 529 Program Manager or CESA Custodian (where assets are currently held)

Please confirm the address below with your current provider. We will forward this Rollover Form to the address below to initiate the rollover process. **Please attach a copy of your current 529 or CESA statement.**

Name of 529 Program Manager or CESA Custodian (if applicable)

Name of 529 College Savings Program and State Sponsor (if CESA, leave blank)

Mailing Address of 529 College Savings Program

City, State, ZIP

CollegeCounts529.com

Payroll Deduction Authorization Form

CollegeCounts

529 FUND

1001 Hwy 152, Suite 100, University, NJ 08823-3200

Employee Steps

1. Complete all four sections below.
2. If you already have a CollegeCounts 529 Fund Account(s) established, reference the Account number(s) in Section 3. Return this form to your payroll department.
3. If you have not opened a CollegeCounts 529 Fund Account, please complete an Enrollment Form along with this form and mail both to the CollegeCounts 529 Fund.

Employer Steps

1. Update your payroll records. Keep a copy of this authorization.
2. Fax this form to the CollegeCounts 529 Fund at 402.323.1053.
3. Begin withholding as directed in Section 3.
4. The CollegeCounts 529 Fund will contact you regarding remittance and contribution methods.

1 Account Owner Information (Employee)

First Name M.I. Last Name Daytime Telephone

Mailing Address City, State, ZIP

Contributor Name (if not the Account Owner) Account Owner E-mail Address

2 Employer Information

Company or Agency Name

Mailing Address City, State, ZIP

Payroll Contact Name Payroll Contact Telephone E-mail Address

3 Payroll Deduction Information

Total Requested Deduction: \$ _____ Requested Start Date: _____
(per pay period) (check with your employer)

I request that the above deduction be deposited to the following account(s):

Beneficiary Name(s)	CollegeCounts 529 Fund Account #	Deposit Amount
_____	- -	\$ _____
_____	- -	\$ _____
_____	- -	\$ _____

4 Authorization

I hereby authorize payroll deduction and acknowledge that this deduction will continue until I notify my employer in writing to change or stop the deduction.

X
Signature of Employee / Contributor

Date

July 2010



CollegeCounts

529 FUND

Program Disclosure Statement & Account Agreement

July 30, 2010



Offered by the
State of Alabama

UBT 529 Services a Division of
UB UNION BANK
& TRUST COMPANY.
Program Manager

The Program is intended to be used only to save for Qualified Higher Education Expenses. The Program is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

This Program Disclosure Statement is intended to comply with the College Savings Plans Network Disclosure Principles, Statement No. 4, adopted December 17, 2009.

IMPORTANT INVESTOR INFORMATION—PLEASE READ

Before investing in the CollegeCounts 529 Fund, you should consider carefully the following:

1. Depending on the laws of your home state or that of your Designated Beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if you invest in such home state's 529 college savings plan;
2. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision; and
3. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You may also wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state's 529 college savings plan.

FOR ALABAMA INVESTORS

The State of Alabama provides the following income tax advantages when investing in the Plan:

- individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to:
 - \$5,000 -or-
 - \$10,000 for married taxpayers filing jointly who each make contributions
 - per tax year for contributions to the Plan and other Alabama Section 529 plans during that year;
- investment earnings on money invested in the Plan are not subject to Alabama income tax until they are distributed; and
- when distributed as a Qualified Withdrawal, the earnings are free from Alabama state income tax.

See "Federal and State Tax Considerations" herein.

CollegeCounts

529 FUND

COLLEGECOUNTS 529 FUND PROGRAM DISCLOSURE STATEMENT

Supplement dated December 22, 2010
to the Program Disclosure Statement dated July 30, 2010

The CollegeCounts 529 Fund Program Disclosure Statement dated July 30, 2010, is hereby amended as follows:

❖ **Reduction in Fees**

Effective as of December 22, 2010, the "Total Annual Asset-Based Fees" on 5 of the 6 Target Portfolios; 12 of the 15 Age-Based Portfolios; and 10 of the 19 Individual Fund Portfolios will be reduced following "Fees & Expense Table" replaces in its entirety the current table on page 18.

Annual Asset-Based Fees					
	Estimated Underlying Fund Expenses [*]	Program Management Fees	State Fee	Total Annual Asset-Based Fees	Account Fee (waived for Alabama Residents)
Fund 100	0.09%	0.25%	none	0.34%	\$12
Fund 80	0.09%	0.25%	none	0.34%	\$12
Fund 60	0.08%	0.25%	none	0.33%	\$12
Fund 40	0.08%	0.25%	none	0.33%	\$12
Fund 20	0.08%	0.25%	none	0.33%	\$12
Fixed Income Fund	0.09%	0.25%	none	0.34%	\$12
Aggressive Portfolio					
Ages 0 - 8	0.09%	0.25%	none	0.34%	\$12
Ages 9 - 12	0.09%	0.25%	none	0.34%	\$12
Ages 13 - 16	0.08%	0.25%	none	0.33%	\$12
Ages 17 - 20	0.08%	0.25%	none	0.33%	\$12
Ages 21 +	0.08%	0.25%	none	0.33%	\$12
Moderate Portfolio					
Ages 0 - 8	0.09%	0.25%	none	0.34%	\$12
Ages 9 - 12	0.08%	0.25%	none	0.33%	\$12
Ages 13 - 16	0.08%	0.25%	none	0.33%	\$12
Ages 17 - 20	0.08%	0.25%	none	0.33%	\$12
Ages 21 +	0.09%	0.25%	none	0.34%	\$12
Conservative Portfolio					
Ages 0 - 8	0.08%	0.25%	none	0.33%	\$12
Ages 9 - 12	0.08%	0.25%	none	0.33%	\$12
Ages 13 - 16	0.08%	0.25%	none	0.33%	\$12
Ages 17 - 20	0.09%	0.25%	none	0.34%	\$12
Ages 21 +	0.10%	0.25%	none	0.35%	\$12

	Estimated Underlying Fund Expenses*	Program Management Fees	State Fee	Total Annual Asset-Based Fees	A (I
Vanguard Prime Money Market 529 Portfolio	0.10%	0.25%	none	0.35%	
PIMCO Short-Term 529 Portfolio	0.45%	0.25%	none	0.70%	
Vanguard Int. - Term Bond Index 529 Portfolio	0.12%	0.25%	none	0.37%	
Vanguard Total Bond Market Index 529 Portfolio	0.07%	0.25%	none	0.32%	
PIMCO Total Return 529 Portfolio	0.47%	0.25%	none	0.72%	
Vanguard Inflation-Protected Securities 529 Portfolio	0.12%	0.25%	none	0.37%	
T. Rowe Price Balanced 529 Portfolio	0.71%	0.25%	none	0.96%	
Vanguard REIT Index 529 Portfolio	0.14%	0.25%	none	0.39%	
Vanguard Value Index 529 Portfolio	0.14%	0.25%	none	0.39%	
Vanguard 500 Index 529 Portfolio	0.07%	0.25%	none	0.32%	
Vanguard Total Stock Market Index 529 Portfolio	0.06%	0.25%	none	0.31%	
Vanguard Growth Index 529 Portfolio	0.14%	0.25%	none	0.39%	
Vanguard Mid-Cap Index 529 Portfolio	0.14%	0.25%	none	0.39%	
Vanguard Extended Market Index 529 Portfolio	0.13%	0.25%	none	0.38%	
Fidelity Advisor Mid Cap II 529 Portfolio	0.95%	0.25%	none	1.20%	
Vanguard Small-Cap Value Index 529 Portfolio	0.28%	0.25%	none	0.53%	
Vanguard Small-Cap Index 529 Portfolio	0.14%	0.25%	none	0.39%	
Vanguard Small-Cap Growth Index 529 Portfolio	0.28%	0.25%	none	0.53%	
Vanguard Total International Stock Index 529 Portfolio	0.15%	0.25%	none	0.40%	

* For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent prospectus available prior to the date of this Supplement to the Program Disclosure Statement and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Supplement.

❖ **The following replaces the "Program Costs" summary table of the Program Disclosure Statement.**

<u>Underlying Fund Costs</u>	<u>Range</u>	<u>Average</u>
Age-Based Portfolios	0.08% - 0.10%	0.08%
Target Portfolios	0.08% - 0.09%	0.08%
Individual Fund Portfolios	0.06% - 0.95%	0.25%

Other Annual Costs

Program Management Fee	0.25%
Annual Account Fee	\$12

The annual account fee is waived if either the Account Owner or the Designated Beneficiary is an Alabama resident.

❖ **The following replaces in its entirety the Hypothetical Expense Example on pages 20 of the Program Disclosure Statement.**

The following table compares the approximate cost of investing in the Plan over different periods of time. Your actual costs may be higher or lower. The hypothetical chart assumes an initial \$10,000 investment in a Plan Portfolio and a 5% annual rate of return, compounded annually. All expense ratios and asset allocations are assumed to remain the same for the duration of the periods.

The chart assumes that all withdrawals are made for Higher Education Costs and, therefore, does

not reflect the impact of potential federal or local taxes. This hypothetical does not reflect actual expenses or performance from the future. Actual expenses may be higher or lower than those shown. The \$12 annual account fee is waived if either the Account Owner or Designated Beneficiary is an Alabama resident. **Alabama residents need to add an additional \$12 to the One Year number; \$36 to the Three Year number; \$60 to the Five Year number; and, \$120 to the Ten Year number in the Hypothetical Expense Table.**

	One Year	Three Years	Five Years	Ten Years
Fund 100	\$35	\$109	\$191	\$431
Fund 80	\$35	\$109	\$191	\$431
Fund 60	\$34	\$106	\$186	\$419
Fund 40	\$34	\$106	\$186	\$419
Fund 20	\$34	\$106	\$186	\$419
Fixed Income Fund	\$35	\$109	\$191	\$431
Aggressive Portfolio				
Ages 0 - 8	\$35	\$109	\$191	\$431
Ages 9 - 12	\$35	\$109	\$191	\$431
Ages 13 - 16	\$34	\$106	\$186	\$419
Ages 17 - 20	\$34	\$106	\$186	\$419
Ages 21 +	\$34	\$106	\$186	\$419
Moderate Portfolio				
Ages 0 - 8	\$35	\$109	\$191	\$431
Ages 9 - 12	\$34	\$106	\$186	\$419
Ages 13 - 16	\$34	\$106	\$186	\$419
Ages 17 - 20	\$34	\$106	\$186	\$419
Ages 21 +	\$35	\$109	\$191	\$431
Conservative Portfolio				
Ages 0 - 8	\$34	\$106	\$186	\$419
Ages 9 - 12	\$34	\$106	\$186	\$419
Ages 13 - 16	\$34	\$106	\$186	\$419
Ages 17 - 20	\$35	\$109	\$191	\$431
Ages 21 +	\$36	\$113	\$197	\$444

	One Year	Three Years	Five Years	Ten
Vanguard Prime Money Market 529 Portfolio	\$36	\$113	\$197	\$4
PIMCO Short-Term 529 Portfolio	\$72	\$225	\$391	\$8
Vanguard Int.-Term Bond Index 529 Portfolio	\$38	\$119	\$208	\$4
Vanguard Total Bond Market Index 529 Portfolio	\$33	\$103	\$180	\$4
PIMCO Total Return 529 Portfolio	\$74	\$231	\$402	\$8
Vanguard Inflation-Protected Securities 529 Portfolio	\$38	\$119	\$208	\$4
T. Rowe Price Balanced 529 Portfolio	\$98	\$307	\$533	\$1,
Vanguard REIT Index 529 Portfolio	\$40	\$126	\$219	\$4
Vanguard Value Index 529 Portfolio	\$40	\$126	\$219	\$4
Vanguard 500 Index 529 Portfolio	\$33	\$103	\$180	\$4
Vanguard Total Stock Market Index 529 Portfolio	\$32	\$100	\$174	\$3
Vanguard Growth Index 529 Portfolio	\$40	\$126	\$219	\$4
Vanguard Mid-Cap Index 529 Portfolio	\$40	\$126	\$219	\$4
Vanguard Extended Market Index 529 Portfolio	\$39	\$122	\$214	\$4
Fidelity Advisor Mid Cap II 529 Portfolio	\$123	\$383	\$663	\$1,
Vanguard Small-Cap Value Index 529 Portfolio	\$54	\$170	\$297	\$6
Vanguard Small-Cap Index 529 Portfolio	\$40	\$126	\$219	\$4
Vanguard Small-Cap Growth Index 529 Portfolio	\$54	\$170	\$297	\$6
Vanguard Total International Stock Index 529 Portfolio	\$41	\$129	\$225	\$5

❖ **The following replaces in its entirety the current table on page 37.**

MUTUAL FUND TICKER SYMBOLS AND EXPENSE RATIOS

The following table sets forth the ticker symbols and the total operating expenses, as disclosed in each fund's most recent prospectus dated prior to December 15, 2010, of the underlying investment funds in which the Port invest. Certain of the share classes in which the Plan's Investment Portfolios invest have changed. Accordingly, references in the Program Disclosure Statement to the share class of the underlying investment funds are amended to reflect the share class corresponding to the ticker symbols below.

Underlying Mutual Fund	Ticker Symbol	Expense Ratio
Vanguard Prime Money Market Fund (Instl)	VPMXX	0.10%
PIMCO Short-Term Fund (Instl)	PSTFX	0.45%
Vanguard Intermediate-Term Bond Index Fund (Signal)	VBIIX	0.12%
Vanguard Total Bond Market Index Fund (Instl)	VBMIX	0.07%
PIMCO Total Return Fund (Instl)	PRTFX	0.47%
Vanguard Inflation-Protected Securities Fund (Admiral)	VIPSX	0.12%
T. Rowe Price Balanced Fund	TRPFX	0.71%
Vanguard REIT Index Fund (Signal)	VREIX	0.14%
Vanguard Value Index Fund (Signal)	VVALX	0.14%
Vanguard 500 Index Fund (Signal)	VFIAX	0.07%
Vanguard Total Stock Market Index Fund (Instl)	VTSIX	0.06%
Vanguard Growth Index Fund (Signal)	VGLAX	0.14%
Vanguard Mid-Cap Index Fund (Signal)	VMDIX	0.14%
Vanguard Extended Market Index Fund (Signal)	VEXTX	0.13%
Fidelity Advisor Mid Cap II Fund (Instl)	FMDIX	0.95%
Vanguard Small-Cap Value Index Fund (Investor)	VSIAX	0.28%
Vanguard Small-Cap Index Fund (Signal)	VSLIX	0.14%
Vanguard Small-Cap Growth Index Fund (Investor)	VSGIX	0.28%
Vanguard Total International Stock Index Fund (Instl)	VTSNX	0.15%

IMPORTANT LEGAL INFORMATION

Investments in the CollegeCounts 529 Fund are not guaranteed or insured by the State of Alabama, the Board, the State Treasurer of Alabama, Union Bank and Trust Company, the Federal Deposit Insurance Corporation, or any other entity.

The Plan and its associated persons make no representations regarding the suitability of the Plan's investment portfolios for any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate depending on your personal circumstances. You should consult your tax or investment advisor for more information.

No broker, dealer, registered representative, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Program Disclosure Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the CollegeCounts 529 Fund, the State Treasurer of Alabama, the Board, or Union Bank & Trust Company.

The information in this Program Disclosure Statement is subject to change without notice, and neither delivery of this Program Disclosure Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the CollegeCounts 529 Fund since the date of this document.

This Program Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Accounts in the Alabama College Education Savings Program are offered and sold as the CollegeCounts 529 Fund and the CollegeCounts 529 Fund Advisor Plan. Alabama also administers a prepaid tuition program called The Alabama Prepaid Affordable College Tuition Program (the "PACT Program"). The PACT Program is closed to enrollment.

This Program Disclosure Statement describes only the Accounts available through the CollegeCounts 529 Fund. The CollegeCounts 529 Fund Advisor Plan may offer different investment options with different investment advisors or different benefits and may be marketed differently from the CollegeCounts 529 Fund described in this Program Disclosure Statement. In addition, the CollegeCounts 529 Fund Advisor Plan may charge different fees, withdrawal penalties, and sales commissions than the CollegeCounts 529 Fund described in this Program Disclosure Statement. You can obtain information regarding the CollegeCounts 529 Advisor Plan by contacting your financial advisor, calling (866) 529 - 2228 or by visiting CollegeCounts529advisor.com.

COLLEGECOUNTS 529 FUND

Program Structure and Providers (more page 1, 3)	Trustee: Board of Trustees of CollegeCounts 529 Fund. Program Manager: UBT 529 Fund Services, a Division of Union Bank & Trust Company (term through June 30, 2020)
Investment Funds	PIMCO, Vanguard, T. Rowe Price, and Fidelity.
Program Contact Information	CollegeCounts 529 Fund 6811 South 27th Street Lincoln, NE 68512 CollegeCounts529.com (866) 529 – 2228
State of Alabama Income Tax Benefits (See "Federal and State Tax Considerations", page 21)	<ul style="list-style-type: none"> • Contributions may be deductible up to \$5,000 per tax return (\$10,000 if married filing jointly). • Earnings grow free from Alabama state income tax. • Earnings portion of a Qualified Withdrawal is not subject to Alabama state income tax. • Alabama tax benefits are available only to Alabama taxpayers. • Nonqualified Withdrawals are subject to Alabama state income tax. • Rollovers to an out-of-state qualified tuition program or nonqualified withdrawals are subject to recapture of Alabama state tax benefits.
Federal Tax Benefits (See "Federal and State Tax Considerations", page 21)	<ul style="list-style-type: none"> • Contributions are not deductible for federal income tax purposes. • Earnings grow free from federal income tax. • Earnings portion of a Qualified Withdrawal is not subject to federal income tax. • Earnings on a Nonqualified Withdrawal are subject to income tax and a 10% federal penalty tax.
Account Owner Eligibility (See "Opening and Maintaining an Account", page 6)	<ul style="list-style-type: none"> • The Program is open to all U.S. citizens and resident aliens who are at least 19 years old, have a valid Social Security number and have a valid permanent address (not a P.O. Box). • There are no restrictions on state of residence. • The Account Owner may be an individual, certain entities, a custodian under a state UGMA or UTMA account, a trust, state or local government, or a 501(c)(3) organization with a valid social security or taxpayer identification number
Designated Beneficiary (See "Choosing a Designated Beneficiary", page 7)	<ul style="list-style-type: none"> • Must be a U.S. citizen or resident alien with a valid Social Security number. • May be of any age.

Contributions (See "Contributing to an Account," page 8)	Minimum: No minimum contribution required. Maximum: \$300,000 per Designated Beneficiary (Maximum Account Balance Limitation). Ways to Contribute: Check, Automatic Investment Plan, Electronic Funds Transfer, Payroll Deduction, Wire Transfer, CollegeCounts 529 Rewards Visa Card "Rewards", Rollover from another qualified tuition program.																		
Investment Portfolios (See "Investment Portfolios", page 10)	<ul style="list-style-type: none">• 3 Age-Based Portfolios (Aggressive, Moderate, Conservative).• 6 Target Portfolios.• 19 Individual Fund Portfolios.• Investment Changes allowed once per calendar year or upon a change of Designated Beneficiary																		
Program Costs (See "Plan Fees and Expenses", page 17)	<table><thead><tr><th><u>Underlying Fund Costs</u></th><th><u>Range</u></th><th><u>Average</u></th></tr></thead><tbody><tr><td>Age-Based Portfolios</td><td>0.09% - 0.14%</td><td>0.10%</td></tr><tr><td>Target Portfolios</td><td>0.09% - 0.14%</td><td>0.11%</td></tr><tr><td>Individual Fund Portfolios</td><td>0.06% - 0.95%</td><td>0.31%</td></tr></tbody></table> <table><thead><tr><th colspan="2"><u>Other Annual Costs</u></th></tr></thead><tbody><tr><td>Program Management Fee</td><td>0.25%</td></tr><tr><td>Annual Account Fee</td><td>\$12</td></tr></tbody></table> <p>(The annual account fee is waived if either the Account Owner or the Designated Beneficiary is an Alabama resident.)</p>	<u>Underlying Fund Costs</u>	<u>Range</u>	<u>Average</u>	Age-Based Portfolios	0.09% - 0.14%	0.10%	Target Portfolios	0.09% - 0.14%	0.11%	Individual Fund Portfolios	0.06% - 0.95%	0.31%	<u>Other Annual Costs</u>		Program Management Fee	0.25%	Annual Account Fee	\$12
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<u>Other Annual Costs</u>																			
Program Management Fee	0.25%																		
Annual Account Fee	\$12																		
Risk Factors (See "Risk Factors", page 4)	<ul style="list-style-type: none">• Investments in the CollegeCounts 529 Fund are not guaranteed or insured by the State of Alabama, the Board, the State Treasurer of Alabama, Union Bank and Trust Company, the Federal Deposit Insurance Corporation, or any other entity.• Opening an Account involves certain risks, including:<ul style="list-style-type: none">• the risk that the value of your Account may decrease, you could lose money, including the principal you invest;• the risk of state or federal tax law changes;• the risk of Program changes, including changes in fees;• the risk that an investment in the Program may adversely affect the Account Owner's or Designated Beneficiary's eligibility for financial aid or other benefits.																		
Qualified Withdrawals (See "Distributions From an Account", page 22)	<ul style="list-style-type: none">• Funds may be used to pay for the Designated Beneficiary's tuition, fees, room & board (with certain limitations), books, supplies, and equipment required for the enrollment or attendance at an eligible postsecondary institution.• Computers, computer equipment, and Internet access and related services are considered Qualified Higher Education Costs if paid or incurred in 2009 or 2010.																		

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COLLEGECOUNTS 529 FUND

INTRODUCTION

The CollegeCounts 529 Fund (the "Plan") is part of the Alabama College Education Savings Program (the "Program"). The Program is an education savings program authorized by the State of Alabama and is designed to qualify as a tax-advantaged savings program under Section 529 of the Internal Revenue Code. Section 529 permits states and state agencies to sponsor qualified tuition programs under which you can open and contribute to an Account for the benefit of any individual, including adults. The Plan is a convenient and tax-advantaged way to save for the cost of colleges, universities, graduate and postgraduate programs, vocational schools and other qualifying post-high school education.

You may open and contribute to an Account regardless of your income. The Maximum Account Balance Limitation for Accounts for a Designated Beneficiary in the Plan, and any additional accounts in the CollegeCounts 529 Fund Advisor Plan and the PACT Program, is \$300,000.

Investment earnings on your Contributions accumulate on a tax-deferred basis, and withdrawals are exempt from federal and Alabama state income tax if they are used to pay for the Designated Beneficiary's Higher Education Costs. Individuals who contribute to the Plan and file a State of Alabama income tax return generally are allowed to deduct from their gross income for State of Alabama income tax purposes up to \$5,000 of Contributions per year (\$10,000 for married taxpayers filing jointly) for total combined contributions to State of Alabama Section 529 programs.

Under federal law, neither you nor the Designated Beneficiary of your Account may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. However, you may choose a balance of equity, real estate, fixed income, and/or money market investments relating to your Plan Account based on the available Portfolios described in this Program Disclosure Statement. The Plan has twenty eight (28) investment portfolios from which to choose.

This Program Disclosure Statement describes only the CollegeCounts 529 Fund. The Board also offers the CollegeCounts 529 Fund Advisor Plan, which is sold through brokers or other financial advisors. The investment options the Plan offers and the costs of investing in the Plan are different than the investment options and costs of the CollegeCounts 529 Fund Advisor Plan. For more information on the Advisor Plan contact your financial advisor.

All capitalized terms shall have the meanings given to them in the "Definitions of Key Terms" Section beginning on page 2.

PLAN HIGHLIGHTS

Eligibility. The Plan is open to residents of any state, not just residents of Alabama. There are no income restrictions.

Contribution Amounts. The Plan has no required minimum Contribution, and you may make additional Contributions at

any time. However, the current Maximum Account Balance Limitation for Accounts for a Designated Beneficiary under the Plan and any additional accounts in other State of Alabama Section 529 programs is \$300,000.

Qualified Withdrawals. Money in your Account may be withdrawn to pay the Designated Beneficiary's Higher Education Costs. Currently, tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Institution of Higher Education are considered Higher Education Costs. Subject to certain limits, Higher Education Costs also include the Designated Beneficiary's room and board expenses. Computers, computer equipment and Internet access and related services that the Designated Beneficiary or the Designated Beneficiary's family use during the time the Designated Beneficiary is enrolled are also considered Higher Education Costs if paid or incurred in 2009 or 2010.

Income Tax Consequences. Under current law, federal and Alabama state income taxes on investment earnings are tax-deferred while in an Account, and such earnings are free from federal and Alabama state income tax if they are used to pay the Designated Beneficiary's Higher Education Costs. If money is withdrawn from your Account, but not used to pay the Designated Beneficiary's Higher Education Costs, the earnings portion (if any) of the withdrawal will be treated as ordinary income to the recipient and generally will also be subject to a 10% federal penalty tax.

Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly) for total combined contributions to the Plan, the CollegeCounts 529 Fund Advisor Plan and the PACT Program during that tax year. The contributions made to such qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made.

In the event of a Nonqualified Withdrawal from the Plan, for Alabama state income tax purposes, an amount must be added back to the income of the contributing taxpayer in an amount of the Nonqualified Withdrawal plus ten (10%) percent of such amount withdrawn. Such amount will be added back to the income of the contributing taxpayer in the tax year that the Nonqualified Withdrawal was distributed.

Gift Tax Treatment. For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Designated Beneficiary that is eligible for the annual gift tax exclusion. Currently, the annual exclusion is \$13,000 per donee (\$26,000 for a married couple). This means that currently you may contribute up to \$13,000 to an Account, without the Contribution being considered a taxable gift (assuming you make no other gifts to the Designated Beneficiary in the same year). In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years. (Such an election must be made on the

Federal Gift Tax Return Form 709). This means that you may contribute up to \$65,000 currently without the Contribution being considered a taxable gift, provided that you make no other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$130,000 currently) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. The annual exclusion is indexed for inflation and therefore is expected to increase over time.

School Choice. The Designated Beneficiary can attend any United States school (and some foreign schools) qualifying as an Institution of Higher Education, including both public and private schools.

Investment Flexibility. The Board and Program Manager have designed 3 Age-Based Portfolios, 6 Target Portfolios, and 19 Individual Fund Portfolios. The Age-Based and Target Portfolios invest in specified allocations of equity, real estate, fixed income, and/or money market mutual funds, and the Individual Fund Portfolios invest in a single mutual fund. Account Owners do not own shares of the underlying mutual funds, but rather own shares in a Portfolio of the Plan. You can choose a Portfolio that is tailored to meet your investment objectives and risk profile.

DEFINITIONS OF KEY TERMS

Account means a separate Account within the Program established by an Account Owner for a named Designated Beneficiary pursuant to an Account Agreement.

Account Agreement means the written agreement between an Account Owner and the Board that governs the operation of each Account established under the Plan by an Account Owner, as amended and supplemented from time to time. The current Account Agreement is attached as Exhibit A to this Program Disclosure Statement.

Account Owner means the person or entity that has entered into an Account Agreement and established an Account on behalf of a Designated Beneficiary, or the person or entity who is the successor in interest to such person or entity in accordance with the Program Rules. The Account Owner controls the Account.

Act means the Wallace Folsom College Savings Investment Plan Act, §16-33C-1 to §16-33C-13 of the Code of Alabama 1975, as amended from time to time, which established and applies to the Program and Plan.

Age-Based Portfolio means a diversified investment portfolio that invests in equity, real estate, fixed income, and/or money market funds that adjusts based on the age of the Designated Beneficiary.

Board means the Board of Trustees of the Program.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Contribution means cash deposited into an Account for the benefit of a Designated Beneficiary.

Designated Beneficiary means

- The individual designated as the beneficiary of the Account at the time the Account is established;
- The individual who is designated as the new Designated Beneficiary when the Designated Beneficiary of an Account is changed; or
- The individual receiving the benefits of an Account established by any state or local government or organization described in Section 501(c)(3) of the Code, as part of a scholarship program operated by such government or organization.

Enrollment Form means the CollegeCounts 529 Fund Enrollment Form completed and signed by an Account Owner establishing an Account and agreeing to be bound by the terms of the Account Agreement.

Higher Education Costs means the Designated Beneficiary's qualified higher education expenses, as defined in Section 529(e)(3) of the Code. Higher Education Costs include:

- Tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an eligible educational institution;
- Computers, computer equipment and Internet access and related services that the Designated Beneficiary or the Designated Beneficiary's family use during the time the Designated Beneficiary is enrolled if paid or incurred in 2009 or 2010;
- Certain room and board expenses incurred while enrolled in a degree or certificate program on at least a half-time basis. A student will generally be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled;
- Room and board expenses are included as qualified higher education expenses for those students enrolled at least half-time, provided that such expenses do not exceed the greater of (1) the amount included by the Institution of Higher Education in its "cost of attendance," as defined under federal law, or (2) the actual invoiced amount the student is charged for residing in housing owned or operated by the Institution of Higher Education; and
- Expenses for special needs services in the case of a special needs Designated Beneficiary which are incurred in connection with such Designated Beneficiary's enrollment or attendance at an Institution of Higher Education.

Individual Fund Portfolio means an investment Portfolio within the Plan to which an Account may be assigned and that invests in the shares of a single mutual fund.

Institution of Higher Education means an eligible educational institution, as defined in Section 529 of the Code. This general-

ly includes any accredited postsecondary educational institution in the United States offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential. Certain proprietary institutions, postsecondary vocational institutions, and foreign schools also are Institutions of Higher Education. These institutions must be eligible to participate in U.S. Department of Education student aid programs. For a list of schools, visit www.fafsa.ed.gov/FOTWebApp/FSLookupServlet.

Investment Portfolios and Allocations Guidelines means the Investment Portfolios and Allocations Guidelines adopted by the Board which set forth the Plan's investment Portfolios and asset allocations. The Board may amend the Investment Portfolios and Allocations Guidelines from time to time.

Member of the Family means an individual who is related to the Designated Beneficiary, as defined in Section 529(e)(2) of the Code, in any of the following ways:

- A son or daughter, or a descendant of either;
- A stepson or stepdaughter;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A son or daughter of a brother or sister;
- A brother or sister of the father or mother;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of the Designated Beneficiary or the spouse of any of the foregoing individuals; or
- A first cousin of the Designated Beneficiary.

For purposes of determining who is a Member of the Family, a legally adopted child of an individual is treated as the child of such individual by blood. The terms brother and sister include a half-brother or half-sister.

Nonqualified Withdrawal means any distribution from an Account that is not used to pay Higher Education Costs and is not a Qualified Withdrawal or a Qualified Rollover Distribution.

PACT Program means the Alabama Prepaid Affordable College Tuition Program, a prepaid tuition program intended to qualify under Section 529 of the Code, which was established under the Act. The PACT Program is closed to future enrollment.

Plan means the CollegeCounts 529 Fund.

Portfolio means any of the investment portfolios available, and to which Contributions may be made, under the Plan. An Account Owner must designate a Portfolio or Portfolios in the Enrollment Form for each Account.

Program means the Alabama College Education Savings Program established in the Act.

Program Management Agreement means the Program Management Agreement by and between the Program Manager and the Board.

Program Manager means Union Bank & Trust Company of Lincoln, Nebraska. Union Bank & Trust Company does business

in Alabama under the name UBT 529 Services, a Division of Union Bank & Trust Company.

Program Rules means the rules governing the Program adopted by the Board, as such Rules may be amended or supplemented from time to time.

Qualified Rollover Distribution means a distribution or transfer from an Account that is deposited within sixty (60) days of the distribution or transfer to:

- Another qualified tuition program for the benefit of the Designated Beneficiary, provided that any such transfer does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the benefit of the Designated Beneficiary; or
- Another Account in any other qualified tuition program, for the benefit of an individual who is a Member of the Family of the Designated Beneficiary.

Qualified Withdrawal means a withdrawal from an Account that is used to pay the Higher Education Costs of the Designated Beneficiary. A Qualified Withdrawal generally is not subject to federal or Alabama state income tax.

Target Portfolio means a diversified investment portfolio within the Plan to which an Account can be assigned that can invest in equity, real estate, fixed income, and/or money market funds.

Treasurer means the State of Alabama Treasurer.

Trust Fund means the fiduciary trust fund created under the Act to hold the assets of the Plan, except amounts that are attributable to the payment of administrative fees and that are held in the program administrative fund established under the Act.

DESCRIPTION OF THE PROGRAM

What Is the Program?

The Program is an education savings program established by the State of Alabama and is designed to qualify as a qualified tuition program under Section 529 of the Code. The purpose of the Program is to assist individuals in paying Higher Education Costs and to thereby encourage students to attend colleges and universities. Federal and Alabama state income taxes on investment earnings in an Account are deferred until there is a distribution from the Account. In addition, distributions from an Account are free from federal and Alabama state income tax if they are used to pay the Higher Education Costs of the Designated Beneficiary.

The Program consists of the CollegeCounts 529 Fund and the CollegeCounts 529 Advisor Plan. This Program Disclosure Statement only describes Accounts in the CollegeCounts 529 Fund, which is referred to in this Program Disclosure Statement as the "Plan." Accounts in the Plan are offered directly to Account Owners. Before investing in the Plan, you should consider whether an investment in the Plan is appropriate in light of your overall financial goals and whether an investment in the Plan is an appropriate vehicle for you to use to save for Higher Education Costs. You can obtain additional information about the CollegeCounts 529 Fund by visiting CollegeCounts529.com or calling (866) 529 - 2228.

What Is the Legal Structure of the Program?

The Program was established by the Act. Funds contributed to Plan Accounts established pursuant to the Program are held in the Trust Fund for the sole benefit of the Account Owner and the Designated Beneficiary. The Board acts as trustee of the Trust Fund and is responsible for the overall administration of the Program. The Board has delegated day-to-day administration of the Program to the Treasurer.

The Board has selected Union Bank & Trust Company, doing business in Alabama as UBT 529 Services, a Division of Union Bank & Trust Company, to advise the Board on the investment of Contributions to the Plan and to provide day-to-day administrative and marketing services to the Plan. The Program Manager has engaged Wilshire Associates, Inc. to advise it with respect to the structures and asset allocations of the Portfolios and the underlying investment funds the Portfolios utilize.

How Does the Plan Work?

To begin saving for college or other post-high school education you must open an Account and make an initial Contribution to your Account for a named Designated Beneficiary. Money contributed to your Account, will be invested in the Portfolio(s) you choose. When the Designated Beneficiary of your Account incurs Higher Education Costs, you may withdraw money from your Account to pay those Higher Education Costs.

What Types of Higher Education Costs May Be Paid With Account Funds?

Account funds may be used to pay the Higher Education Costs of the Account's Designated Beneficiary. These generally include tuition, fees, books, supplies, and equipment required for the Designated Beneficiary's enrollment or attendance at an Institution of Higher Education. Subject to certain limitations, these also generally include the room and board expenses of a student enrolled on at least a half-time basis. Computers, computer equipment and Internet access and related services that the Designated Beneficiary or the Designated Beneficiary's family use during the time the Designated Beneficiary is enrolled are also considered Higher Education Costs if paid or incurred in 2009 or 2010. In addition, Higher Education Costs include expenses for special needs services in the case of a special needs beneficiary. Institutions of Higher Education generally include accredited, postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential, including certain proprietary, postsecondary vocational, and foreign institutions. The institution must be eligible to participate in U.S. Department of Education student aid programs.

A Designated Beneficiary's Higher Education Costs will be reduced to the extent the Designated Beneficiary's education expenses are taken into account in determining any Hope Credit, American Opportunity Credit or Lifetime Learning Credit, and to the extent the Designated Beneficiary receives any tax-free educational assistance payments.

RISK FACTORS

Certain risk factors relating to participation in the Plan are

described below.

Plan Risks

The Value of Your Account May Decline

As with many investment programs, there can be no assurance that the value of your Account will grow at any particular rate or that it will not decline. The value of the securities in which the Portfolios invest will change due to a number of factors, most of which will not be in the control of the Board or the Program Manager. If the value of these securities declines, you may lose some or all of the principal balance in your Account.

Your Account Is Not Insured or Guaranteed

Balances in your Account are not guaranteed or insured by the State of Alabama, the Board, or any instrumentality of the State of Alabama, the Program Manager or any of its affiliates, the FDIC, or any other party. You could lose money (including amounts contributed to your Account), or not make money, if you participate in the Plan.

Laws Governing 529 Qualified Tuition Programs May Change

There is a risk that federal and state laws and regulations governing 529 Programs could change in the future.

The proposed Federal Treasury regulations that have been issued under Section 529 of the Code provide guidance and requirements for the establishment and operation of the Program but do not provide guidance on all aspects of the Program. Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Program or Contributions to or withdrawals from your Account. In addition, Section 529 or other federal law could be amended in a manner that materially changes the federal tax treatment of Contributions to and withdrawals from your Account.

You should understand that changes in the law governing the federal and/or state tax consequences described in this Program Disclosure Statement might necessitate material changes to the Program for the anticipated tax consequences to apply.

Furthermore, the Program has been established pursuant to Alabama law, the Program Rules, the Code, and applicable securities laws. Changes to any of those laws or regulations may also affect the operation and tax treatment of the Program, as described in this Program Disclosure Statement.

Limitation on Investment Selection

The Account Owner may only change the investment election for an Account once per calendar year, or upon a change in Designated Beneficiary. If an Account Owner has Accounts in the Plan and the CollegeCounts 529 Fund Advisor Plan for the same Designated Beneficiary, the Account Owner may change the Portfolios in all such Accounts without tax consequences, so long as the changes to all of the Accounts are made at the same time and no more frequently than once per calendar year or upon a change of Designated Beneficiary.

Limited Use of Withdrawals Without Penalties

Other than payment of the Higher Education Costs of the Designated Beneficiary, the circumstances under which a withdrawal may be made from an Account without a penalty or adverse tax consequences are limited. See "Exhibit B – Tax Information."

Limited Operating History of Portfolios

The Plan's investment Portfolios are each newly established and have no operating history. Although the underlying investment funds have longer operating histories, past performance of a Portfolio's underlying investment fund(s) should not be viewed as a future prediction of that Portfolio's or its underlying investment fund's future performance.

Fee Changes

The Plan's fees and expenses and the amount of the specified fees described in this Program Disclosure Statement, including the fees the Plan imposes and the underlying investment funds' fees and expenses, may change from time to time during your participation in the Plan. There can be no assurance that the Plan's fees and expenses will not increase in the future.

Changes in Program Manager

A new program manager may be appointed either upon expiration of the Program Management Agreement or earlier, in the event the Program Manager or Board terminates the agreement prior to the end of the term.

In such case, the fee or compensation structure for the successor program manager may differ from and/or be higher than the fee and compensation structure of the current Program Manager. Additionally, upon a change in program manager, the Board may change the asset allocation of Portfolios and/or mutual funds included in any Portfolio and/or eliminate or change Portfolios. The Plan may achieve performance results that are different than those achieved by the current Plan.

Illiquidity of Account

Funds in your Account will be subject to the terms and conditions of the Plan and the Account Agreement. These provisions may limit your ability to withdraw funds or to transfer these funds. Under no circumstances may any interest in an Account or the Plan be used as security for a loan.

Acceptance to an Institution of Higher Education Is Not Guaranteed

An Account in CollegeCounts 529 Fund does not guarantee that a Designated Beneficiary will be admitted to, or permitted to continue to attend, any college or other Institution of Higher Education.

Educational Expenses May Exceed the Balance in Your Account

Even if you make the maximum amount of Contributions to your Account, the balance may not be sufficient to cover the Designated Beneficiary's Higher Education Costs.

Plan Contributions Do Not Create Alabama Residency

Contributions to the Plan do not create Alabama residency status for you or a Designated Beneficiary for purposes of determining the rate of tuition charged by an Alabama educational institution.

Impact on the Designated Beneficiary's Ability to Receive Financial Aid

The eligibility of the Designated Beneficiary for financial aid may depend upon the circumstances of the Designated Beneficiary's family at the time the Designated Beneficiary enrolls in an Institution of Higher Education, as well as on the policies of the governmental agencies, school, or private organizations to which the Designated Beneficiary and/or the Designated Beneficiary's

family applies for financial assistance. Because saving for college will increase the financial resources available to the Designated Beneficiary and the Designated Beneficiary's family, it most likely will have some effect on the Designated Beneficiary's eligibility. These policies vary at different institutions and can change over time. Therefore, no person or entity can say with certainty how the federal aid programs, or the school to which the Designated Beneficiary applies, will treat your Account for these purposes.

Medicaid and Other Federal and State Benefits

The effect of an Account on eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that an Account will be viewed as a "countable resource" in determining an individual's financial eligibility for Medicaid. Withdrawals from an Account during certain periods also may have the effect of delaying the disbursement of Medicaid payments. You should consult a qualified advisor to determine how an Account may affect eligibility for Medicaid or other state and federal benefits.

Other Investment Alternatives

Neither the Board nor the Program Manager make any representations regarding the appropriateness of the Plan or any Portfolio of the Plan as an investment alternative. Other qualified tuition programs and other education savings and investment programs, including Coverdell Education Savings Accounts, are currently available to prospective Account Owners. These programs may offer benefits, including state tax benefits, other investment options and investment control, to some Account Owners or Designated Beneficiaries that are not available under the Plan. These programs may also have lower fees and expenses than the Plan. Prospective Account Owners should also consider whether investing directly in the underlying investment funds would be a better option than investing in the Plan, especially if they are considering investing in the Individual Fund Portfolios. A direct investment in the underlying investment funds may involve lower fees and expenses than are available under the Plan. A direct investment in the underlying investment funds would not, however, be eligible for certain tax benefits available under the Plan.

Investment Risks

Each Portfolio Has Risks

Each of the Portfolios are subject to certain risks that may affect Portfolio performance. Set forth below is a list of the major risks applicable to the Portfolios. See "Exhibit C — Investment Portfolios and Underlying Fund Information" and the respective prospectuses of the underlying mutual funds for a description of the risks associated with the underlying mutual funds in which the Portfolios invest.

Market risk. Market risk is the risk that the prices of securities will decline overall. Securities markets tend to move in cycles, with periods of rising and falling prices. Securities prices change every business day, based on investor reactions to economic, political, market, industry, and corporate developments. At times, these price changes may be rapid and dramatic. Some factors may affect the market as a whole, while others affect particular industries, firms, or sizes or types of securities.

Interest rate risk. Interest rate risk is the risk that securities prices will decline due to rising interest rates. A rise in interest rates typically causes bond prices to fall. Bonds with longer maturities and lower credit quality tend to be more sensitive to changes in interest rates, as are mortgage-backed bonds. Short- and long-term interest rates do not necessarily move the same amount or in the same direction.

Money market investments are also affected by interest rates, particularly short-term rates, but in the opposite way: when short-term interest rates fall, money market yields usually fall as well. Bonds that can be paid off before maturity, such as mortgage-backed and other asset-backed securities, tend to be more volatile than other types of debt securities.

Foreign investment risk. Investment in foreign stocks and bonds may be more risky than investments in domestic stocks and bonds. Foreign stocks and bonds tend to be more volatile, and may be less liquid, than their U.S. counterparts. The reasons for such volatility can include greater political and social instability, lower market liquidity, higher costs, less stringent investor protections, and inferior information on issuer finances. In addition, the dollar value of most foreign currencies changes daily. All of these risks tend to be higher in emerging markets than in developed markets.

Asset Backed Securities risk. A Portfolio's performance could suffer to the extent the underlying funds in which it invests are exposed to asset-backed securities, including mortgage-backed securities. Asset-backed securities are subject to early amortization due to amortization or payout events that cause the security to payoff prematurely. Under those circumstances, an underlying fund may not be able to reinvest the proceeds of the payoff at a yield that is as high as that which the asset-backed security paid. In addition, asset-backed securities are subject to fluctuations in interest rates that may affect their yield or the prepayment rates on the underlying assets.

Derivatives risk. Certain of the underlying investment funds may utilize derivatives. There are certain investment risks in using derivatives such as futures contracts, options on futures, interest rate swaps and structured notes, as a hedging technique. If an underlying investment fund incorrectly forecasts interest rates in using derivatives, the underlying investment fund and any Portfolio invested in it could lose money. Price movements of a futures contract, option or structured notes may not be identical to price movements of portfolio securities or a securities index, resulting in the risk that, when an underlying investment fund buys a futures contract or option as a hedge, the hedge may not be completely effective. The use of these management techniques also involves the risk of loss if the advisor to an underlying investment fund is incorrect in its expectation of fluctuations in securities prices, interest rates or currency prices. Investments in derivatives may

be illiquid, difficult to price, and leverage so that small changes may produce disproportionate losses for the underlying fund, and may be subject to counterparty risk to a greater degree than more traditional investments. Please see the underlying mutual fund prospectus for complete details.

Concentration risk. To the extent that a Portfolio is exposed to securities of a single country, region, industry, structure, or size, its performance may be unduly affected by factors common to the type of securities involved.

Issuer risk. Changes in an issuer's business prospects or financial condition, including those resulting from concerns over accounting or corporate governance practices, could significantly affect a Portfolio's performance if the Portfolio has sufficient exposure to those securities.

Credit risk. The value or yield of a bond or money market security could fall if its credit backing deteriorates. In more extreme cases, default or the threat of default could cause a security to lose most or all of its value. Credit risks are higher in high-yield bonds.

Management risk. A Portfolio's performance could suffer if the investment fund or funds in which it invests underperforms.

Individual Fund Portfolios Not as Diversified as Age-Based and Target Portfolios

The Individual Fund Portfolios are designed to invest in a single mutual fund. Individual Fund Portfolios, by design, are not as diverse as the Age-Based and Target Portfolios which are invested in a number of different mutual funds. Since each Individual Fund Portfolio is invested in one mutual fund, the performance of the Individual Fund Portfolio is dependent on the performance of the underlying mutual fund. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than the Age-Based and Target Portfolios.

OPENING AND MAINTAINING AN ACCOUNT

Who Can Open an Account?

An Account may be established by an individual, certain legal entities, a custodian under a State's UGMA or UTMA statute, or the trustee of a trust. The Account Owner must be at least 19 years of age, a U.S. citizen, resident alien or legal entity with a valid Social Security number or a taxpayer identification number. The Account Owner must also have a valid, permanent address in the U.S. (not a P.O. Box). There are no income limitations for the Account Owner to participate in, or benefit from, the Plan. In addition, an Account may be established by a State or local government or a tax-exempt organization described in Section 501(c)(3) of the Code as part of a scholarship program operated by such government or organization.

There are no restrictions on state of residence to open an account. There may be only one Account Owner per Account (joint ownership is not allowed).

If the prospective Account Owner is a trust, the trustee should consult with his or her legal and tax advisors before establish-

ing an Account. This Program Disclosure Statement does not address the income or transfer tax consequences of investments in the Plan made by a trust or the propriety of such an investment under state trust law.

How Do I Open an Account?

To open an Account, you must complete and sign an Enrollment Form, agreeing to be bound by the terms and conditions of the Account Agreement, which governs your rights, benefits, and obligations as an Account Owner. The current form of the Account Agreement is included as Exhibit A to this Program Disclosure Statement.

To open an Account:

- **Online:** you can open an Account online at CollegeCounts529.com.
- **By Mail:** complete, sign and mail the Enrollment Form to the CollegeCounts 529 Fund.

If you wish to make Contributions for more than one Designated Beneficiary, you must complete an Enrollment Form and open a separate Account for each Designated Beneficiary.

How Many Accounts Can I Open?

There is no limit on the number of Accounts you can establish. An Account Owner or multiple Account Owners can open more than one Account for the same Designated Beneficiary as long as the total of the balances in all such Accounts, and accounts for the Designated Beneficiary in the CollegeCounts 529 Fund Advisor Plan and the PACT Program, do not exceed \$300,000.

When Can I Open an Account for an Infant?

There are no age limitations for a Designated Beneficiary. However, at the time you open an Account, you must designate a Designated Beneficiary. If you open an Account for a newborn for whom a Social Security number has not yet been obtained, you may still designate that individual as Designated Beneficiary. You should provide the Designated Beneficiary's Social Security number within ninety (90) days after opening an Account for an infant.

Who Controls an Account?

As Account Owner, you control the Account, including any Contributions made to the Account by third parties. The Account Owner may change the Designated Beneficiary of the Account, transfer money in the Account to another account in the Program or another qualified tuition program, or withdraw money from the Account, in each case subject to any applicable taxes or other rules as described in this Program Disclosure Statement and under applicable law.

May I Change Ownership of a Plan Account?

You may change ownership of your Account to another individual or entity that is eligible to be an Account Owner. When you transfer ownership of your Account, you may, but are not required to, change the Designated Beneficiary. A change of ownership of an Account will only be effective if the assignment is irrevocable and transfers all ownership rights.

To be effective, a transfer of ownership of your Account requires the current Account Owner and the new Account Owner to complete the Change of Account Owner Form. By signing the Change of Account Owner Form, the new Account Owner will be entering

into an Account Agreement with the Plan and will be subject to the terms and conditions of the Plan's then-current Account Agreement. The current Account Owner's signature on the Change of Account Owner Form must be signature guaranteed, or it will not be processed. You should consult your tax advisor regarding the potential gift and/or generation-skipping transfer tax consequences of changing ownership of your Account.

Can I Name a Successor to Take Over Ownership of My Account Upon My Death?

On your Enrollment Form, you may designate a successor Account Owner to take ownership of your Account in the event of your death. If you have already established an Account, you may designate a successor Account Owner or change your designation by completing the appropriate form available online or by calling (866) 529 – 2228.

If you do not designate a successor Account Owner, then your estate, acting through your personal representative, will become the successor Account Owner. Before the successor Account Owner will be permitted to transact business with respect to your Account, he or she will be required to provide a certified copy of the death certificate and documentation reflecting his or her appointment to act on behalf of the estate, and to execute a new Enrollment Form, thereby entering into a new Account Agreement.

Where Can I Obtain Additional Forms and Enrollment Kits?

You can obtain forms, additional enrollment kits, account maintenance forms and the Program Disclosure Statement by visiting the Plan's website at CollegeCounts529.com, or by contacting the Plan at (866) 529 – 2228.

CHOOSING A DESIGNATED BENEFICIARY

Who May Be a Designated Beneficiary?

Any individual who is a U.S. citizen or resident alien with a valid federal taxpayer identification number, such as a Social Security number, can be a Designated Beneficiary. A Designated Beneficiary can be of any age and need not be a resident of the State of Alabama. Each Account may have only one Designated Beneficiary, but different Account Owners may establish different Accounts for the same Designated Beneficiary, provided that the total balances in such Accounts, and all other accounts in the CollegeCounts 529 Fund Advisor Plan and the PACT Program, do not exceed \$300,000. An Account Owner may also name himself or herself as the Designated Beneficiary.

If an Account is established by a State or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the Internal Revenue Code as part of a scholarship program operated by such government or organization, the Designated Beneficiary is not required to be identified on the Enrollment Form at the time the Account is established. Such government or organization must designate the Designated Beneficiary prior to any distributions for Higher Education Costs from the Account.

Do I Have to Be Related to the Designated Beneficiary?

You do not have to be related to the Designated Beneficiary to establish an Account. However, if you change the named

Designated Beneficiary in the future, the new Designated Beneficiary must be a Member of the Family of the current Designated Beneficiary in order to avoid potentially adverse tax consequences.

May I Change Beneficiaries?

As the Account Owner, you may change the Designated Beneficiary at any time without adverse federal income tax consequences if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary. You may also change the Portfolios in which your Account is invested when you change the Designated Beneficiary. If the new Designated Beneficiary is not a Member of the Family of the current Designated Beneficiary, then the change is treated as a Nonqualified Withdrawal that is subject to taxes and a penalty. A Member of the Family is anyone who is related to the current Designated Beneficiary in one of the following ways:

- A son or daughter, or a descendant of either;
- A stepson or stepdaughter;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A son or daughter of a brother or sister;
- A brother or sister of the father or mother;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of the Designated Beneficiary or the spouse of any of the foregoing individuals; or
- A first cousin of the Designated Beneficiary.

For purposes of determining who is a Member of the Family, a legally adopted child of an individual is treated as the child of such individual by blood. The terms brother and sister include a half-brother or half-sister.

If the source of Contributions to an Account was a State UGMA or UTMA account, the Designated Beneficiary of the Account may not be changed until the minor attains the legal age necessary to control the UGMA or UTMA assets.

When you change the Designated Beneficiary, unless you direct otherwise, any money invested in a Target Portfolio or Individual Fund Portfolio will remain in such Portfolio, and any money invested in an Age-Based Portfolio will be transferred to the applicable Age-Based Portfolio based on the new Designated Beneficiary's age.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax or generation-skipping transfer tax consequences. You should consult your tax advisor under such circumstances.

If you change the Designated Beneficiary of your Account, the Program Manager will ask you to certify the relationship between the new Designated Beneficiary and the current Designated Beneficiary. To change the Designated Beneficiary of your Account, you can download the form at CollegeCounts529.com or call the Plan at (866) 529 - 2228.

CONTRIBUTING TO AN ACCOUNT

How do I Make Contributions to the Plan?

All Contributions to your Account must be in cash. You can make Contributions to your Account by:

- **check;**
- **automatic investment plan ("AIP")** - You may establish an AIP by logging on to your account at CollegeCounts529.com or downloading and completing the appropriate form. If your AIP contribution cannot be processed because of insufficient funds or because of incomplete or inaccurate information, the Plan reserves the right to suspend future AIP contributions.
- **electronic funds transfer ("EFT")** - You may complete EFT contributions by logging on to your account at CollegeCounts529.com. If your EFT contribution cannot be processed because of insufficient funds or because of incomplete or inaccurate information, the Plan reserves the right to suspend future EFT contributions.
- **payroll deduction** - Payroll deduction allows you to set up automatic contributions in the form of paycheck deductions. Check with your employer to see if they offer this service;
- **wire transfer** - please be aware that your bank may charge a fee for wire transfers;
- **"Rewards"** from your CollegeCounts 529 Rewards Visa® Card - Once you've accumulated \$50 in rewards with the CollegeCounts 529 Rewards Visa® Card, those amounts will be automatically transferred at the end of each calendar quarter to the Account(s) you designate; or
- **a transfer or rollover** from another 529 qualified tuition program, Coverdell Education Savings Account ("CESA"), or a qualified U.S. Savings Bond. Amounts distributed from a CESA and contributed to an Account may be treated as a tax-free distribution from the CESA. In addition, subject to certain limitations, redemption of certain qualified U.S. Savings Bonds may be tax-free if the proceeds are contributed to an Account. Certain rules and requirements must be met. For more information consult IRS Publication 970 and your financial, tax, or legal advisor.

Checks should be made payable to "CollegeCounts 529 Fund" and sent to the following address:

Mailing Address:

CollegeCounts 529 Fund
P.O. Box 85290
Lincoln, NE 68501-5290

Overnight or Courier Address:

CollegeCounts 529 Fund
6811 South 27th Street
Lincoln, NE 68512

How do I Rollover or Transfer Funds to My Account?

You may open an Account or contribute to an existing Account in the Plan by rolling over or transferring funds from another 529 qualified tuition program, a CESA or certain qualified U.S. Savings Bonds. A rollover transaction from another 529 quali-

fied tuition program is free from federal income tax if it constitutes a Qualified Rollover Distribution. A Qualified Rollover Distribution:

1. is a rollover for the same Designated Beneficiary as long as there were no prior rollovers for that Designated Beneficiary in the last 12 months; or
2. is a rollover if the Designated Beneficiary of the Account is changed to a Member of the Family of the current Designated Beneficiary.

The program from which you are transferring funds may impose fees or other restrictions on such a transfer, so you should investigate this option thoroughly before requesting a transfer.

The Program Manager will assume that the entire rollover contribution from another 529 qualified tuition program, a CESA or a qualified U.S. Savings Bond is earnings in the Account receiving the Contribution until the Program Manager receives appropriate documentation showing the actual earnings portion of the Contribution. This assumption is required by the Internal Revenue Service. See "Exhibit B – Tax Information."

How do I Make Contributions From a UGMA or UTMA Custodial Account?

A custodian for a minor under a State UGMA or UTMA statute may use the assets held in the UGMA or UTMA account to open an Account in the Plan, subject to the laws of the state under which the UGMA or UTMA account was established.

If the custodian of a UGMA or UTMA account establishes an Account, the minor for whose benefit the assets are held must be the Designated Beneficiary of the Account, and the custodian will not be permitted to change the Designated Beneficiary of the Account. When the Designated Beneficiary reaches the age of majority under the applicable UGMA or UTMA statute and the custodianship terminates, the Designated Beneficiary will become the sole Account Owner with complete control over the Account. **The custodian is required to notify the Program Manager when the minor attains the age of majority under the applicable UGMA or UTMA statute.**

The conversion of non-cash UGMA or UTMA assets to cash for contribution to an Account may be a taxable transaction. Before liquidating assets in a UGMA or UTMA account in order to contribute them to an Account, you should review the potential tax and legal consequences with your tax and legal advisors. Moreover, neither the Board, the Treasurer, the Program Manager, nor the Program assumes responsibility to insure, or will incur any liability for failing to insure, that a custodian applies assets held under a UGMA or UTMA custodianship for proper purposes.

How do I Contribute to an Account Through the CollegeCounts 529 Rewards Visa® Card?

The CollegeCounts 529 Rewards Visa® Card allows cardholders to earn rewards that are contributed to a designated Account. Currently, CollegeCounts 529 Rewards Visa® Card cardholders earn a 1.529% reward on qualifying purchases that accumulates and is automatically contributed to the Account the cardholder designates. A cardholder may designate up to three (3) Accounts into which rewards can be contributed. If you

designate more than one Account, rewards Contributions will be split equally among the Accounts you designate. In order to obtain a CollegeCounts 529 Rewards Visa® Card, you must submit an application and be approved to receive the card. The CollegeCounts 529 Rewards Visa® Card is offered by Union Bank & Trust Company.

If you are a cardholder and your CollegeCounts 529 Rewards Visa® Card account is in good standing, after you have accumulated at least \$50 in rewards, those amounts will be automatically transferred at the end of each calendar quarter to the Account(s) you designate. Rewards can only be redeemed as a Contribution to the designated Account(s) and have no cash value except as a Contribution, or as described in the "Rewards Program" Terms and Conditions. This Program Disclosure Statement is not intended to provide detailed information about the card and the rewards program. The card and the rewards program are administered in accordance with the terms of the credit card agreement and "Rewards Program" Terms and Conditions, as they may be amended from time to time. For additional information, please visit CollegeCounts529.com.

Can Non-Owners Make Contributions to an Account?

Currently, anyone can make Contributions to an Account, including the Designated Beneficiary. The Alabama state income tax deduction is available to any individual who contributes to an Account and files an Alabama state income tax return. However, the Account Owner maintains control over all Contributions to an Account, including the right to change Portfolios, change the Designated Beneficiary, and make withdrawals. In addition, under current law, the federal gift and generation-skipping transfer tax consequences of a Contribution by anyone other than the Account Owner are unclear. Accordingly, if a person other than the Account Owner wishes to make a Contribution to an Account, such person should consult his or her own tax or legal advisors as to the consequences of such a Contribution.

What Are the Limits on the Amount I Can Contribute?

A minimum Contribution is not required, nor do you have to contribute to your Account every year. The Plan has no minimum initial and subsequent required Contributions to an Account.

The Maximum Account Balance Limitation is \$300,000.

Accounts that have reached the Maximum Account Balance Limitation may continue to accrue earnings, but additional Contributions will not be accepted and will be returned. Additional Contributions may be made in the future if the Account value falls below the Maximum Account Balance Limitation or the Maximum Account Balance Limitation is increased.

The Maximum Account Balance Limitation of \$300,000 is based on the aggregate market value of the Account(s) for a Designated Beneficiary and not on the aggregate Contributions made to the Account(s). Contributions can not be made to any Account for a Designated Beneficiary if the aggregate Account balance, including the proposed Contributions, for that Designated Beneficiary (including accounts for the same Designated Beneficiary in the CollegeCounts 529 Fund Advisor Plan and the PACT Program) would exceed the Maximum Account Balance Limitation. The Board will periodically review

and adjust the Maximum Account Balance Limitation as needed.

What Happens to Contributions Over the Maximum?

The Program Manager will notify you if you have made a Contribution to an Account that exceeds the Maximum Account Balance Limitation. The Program Manager will not knowingly accept and may reject Contributions in excess of the Maximum Account Balance Limitation. If the Program Manager determines that you have made Contributions in excess of the Maximum Account Balance Limitation, the excess Contributions and any earnings thereon will be promptly refunded and may be treated as a Nonqualified Withdrawal that is subject to income tax and a federal penalty tax.

INVESTMENT PORTFOLIOS

How Are My Plan Contributions Invested?

Contributions to an Account will be invested in the Portfolio or Portfolios you select on the Enrollment Form. The Portfolios may invest in one or more mutual funds or other investment vehicles in accordance with the Investment Portfolios and Allocations Guidelines. These may include investment funds investing in domestic equity, international equity, real estate, fixed income, money market securities, or other asset classes.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind. The Portfolios described in this Program Disclosure Statement allow Account Owners to direct funds to specific investment categories and strategies established by the Board and as set forth in the Investment Portfolios and Allocation Guidelines.

Requesting Additional Information: Information on the various Portfolios and a summary description of the underlying mutual funds is included in "Exhibit C - Investment Portfolios and Underlying Fund Information." Additional information regarding the underlying mutual funds' investment strategies and their related risks can be found in the prospectus and statement of additional information ("SAI") of each underlying mutual fund. For more information about the underlying mutual funds, including copies of their prospectuses, SAIs, and annual reports, contact the Plan at (866) 529 - 2228 or visit CollegeCounts529.com.

The Plan has the following Portfolios available:

- 3 Age-Based Portfolios;
- 6 Target Portfolios; and
- 19 Individual Fund Portfolios.

The three Age-Based Portfolios are designed to reduce the Account's exposure to principal loss the closer the Designated Beneficiary gets to college. The six Target Portfolios keep the same asset allocation between equity, real estate, fixed income, and money market securities over the life of your Account. The Individual Fund Portfolios each invest in a single mutual fund. The Age-Based, Target and Individual Fund Portfolios have been designed by the Board, the Program Manager, and Wilshire Associates, Inc.

Under federal law, neither you nor the Designated Beneficiary of your Account may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. As a result, you will not be able to select the securities in which your Account is invested. Instead, Contributions will be invested in the Portfolio or Portfolios you select in your Enrollment Form in accordance with the Investment Portfolios and Allocation Guidelines. Generally, an Account Owner may only change the Portfolio or Portfolios in which their Account is invested once per calendar year or upon a change of Designated Beneficiary. If an Account Owner has multiple accounts in the Plan for the same Beneficiary or multiple accounts in the CollegeCounts 529 Fund Advisor Plan and the PACT Program for the same Designated Beneficiary, the Account Owner may change the Portfolios in all of these accounts without tax consequences, so long as the changes to all of the accounts are made at the same time and no more frequently than once per calendar year or upon a change of Designated Beneficiary.

In allocating Contributions to the Portfolios, the Program Manager will follow the Investment Portfolios and Allocation Guidelines. In addition, the Board intends to adopt an Investment Policy with respect to the Program which will be available on the Plan's website at CollegeCounts529.com.

The Board may amend or supplement the Investment Portfolios and Allocation Guidelines at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds in which the Portfolios invest, including the underlying mutual funds in which the Individual Fund Portfolios invest.

Age-Based Portfolios

You may choose from 3 Age-Based Options:

- Age-Based Aggressive Option
- Age-Based Moderate Option
- Age-Based Conservative Option

The Age-Based Portfolios generally invest in a mix of equity, real estate, fixed income, and money market funds allocated based on the current age of the Designated Beneficiary. The Age-Based Portfolios adjust over time so that as the Designated Beneficiary nears college age each Age-Based Portfolio's allocation between equity, real estate, fixed income, and money market funds

becomes more conservative relative to the allocation in earlier years. For each Age-Based Portfolio, the Plan will automatically exchange assets from one Portfolio to another during the month the Designated Beneficiary attains the next age-band based on the following table.

Within the Age-Based Portfolios you may choose from among an aggressive, moderate or conservative asset allocation based on, among other factors, your investment goals and objectives, and your tolerance for market volatility and investment risk. The Aggressive Age-Based Portfolio is intended for Account Owners with a higher tolerance for investment risk and market volatility, relative to the moderate and conservative asset allocations but with the potential for higher returns. The Moderate Age-Based Portfolio is intended for Account Owners with a moderate tolerance for investment risk and market volatility, but with the

potential for higher returns relative to the conservative allocation. The Conservative Age-Based Portfolio, in comparison to the Age-Based Aggressive and Moderate Portfolios, is intended for Account Owners with the lowest tolerance for investment risk and market volatility. For example, the Age-Based Aggressive Portfolio is invested primarily in equity investment funds when the Designated Beneficiary is young. By contrast, the Age-Based Conservative Portfolio is more heavily weighted towards fixed income funds even when the Designated Beneficiary is young. For the detailed asset allocation, mix of underlying funds, and the age ranges for each of the Portfolios, see "Exhibit C - Investment Portfolios and Underlying Fund Information." The current targeted asset allocation of each Age-Based Portfolio is set forth in the following table.

COLLEGECOUNTS 529 FUND AGE-BASED OPTIONS			
Beneficiary Age	Aggressive Option	Moderate Growth Option	Conservative Option
0-8 Years	CollegeCounts Fund 100 70% Domestic Equity 3% Real Estate 27% International Equity	CollegeCounts Fund 80 57% Domestic Equity 2% Real Estate 21% International Equity 20% Fixed Income	CollegeCounts Fund 60 43% Domestic Equity 2% Real Estate 15% International Equity 40% Fixed Income
9-12 Years	CollegeCounts Fund 80 57% Domestic Equity 2% Real Estate 21% International Equity 20% Fixed Income	CollegeCounts Fund 60 43% Domestic Equity 2% Real Estate 15% International Equity 40% Fixed Income	CollegeCounts Fund 40 30% Domestic Equity 1% Real Estate 9% International Equity 60% Fixed Income
13-16 Years	CollegeCounts Fund 60 43% Domestic Equity 2% Real Estate 15% International Equity 40% Fixed Income	CollegeCounts Fund 40 30% Domestic Equity 1% Real Estate 9% International Equity 60% Fixed Income	CollegeCounts Fund 20 16% Domestic Equity 4% International Equity 70% Fixed Income 10% Money Market
17-20 Years	CollegeCounts Fund 40 30% Domestic Equity 1% Real Estate 9% International Equity 60% Fixed Income	CollegeCounts Fund 20 16% Domestic Equity 4% International Equity 70% Fixed Income 10% Money Market	CollegeCounts Fixed Income Fund 50% Fixed Income 50% Money Market
21 and over	CollegeCounts Fund 20 16% Domestic Equity 4% International Equity 70% Fixed Income 10% Money Market	CollegeCounts Fixed Income Fund 50% Fixed Income 50% Money Market	CollegeCounts 100% Money Market

Target Portfolios

The Target Portfolios are asset allocation portfolios that invest in a set or "static" mix of equity, real estate, fixed income, or money market funds. The allocation between equity, real estate, fixed income, and money market investments within the Target Portfolios does not change as the Designated Beneficiary gets older.

The six Target Portfolios, ranging from the most aggressive to conservative, are briefly described below. For a detailed asset allocation and the composition of the underlying mutual funds, see "Exhibit C - Investment Portfolios and Underlying Fund Information." The current targeted asset allocations or investment mixes are presented in the following table.

	Domestic Equity	Real Estate	International Equity	Fixed Income	Money Market
Fund 100	70%	3%	27%		
Fund 80	57%	2%	21%	20%	
Fund 60	43%	2%	15%	40%	
Fund 40	30%	1%	9%	60%	
Fund 20	16%		4%	70%	10%
Fixed Income Fund				50%	50%

Fund 100 seeks maximum capital appreciation by investing 100% of its net assets in domestic equity, international equity and real estate funds. This strategy may be appropriate for investors with longer time horizons and who are comfortable with an increased level of risk in an effort to obtain potentially higher long-term returns.

Fund 80 seeks a high level of capital appreciation and some income by investing 80% of its net assets in domestic equity, international equity and real estate funds, with the remaining 20% in fixed income investments.

Fund 60 seeks moderate capital appreciation and income by investing 60% of its net assets in domestic equity, international equity, and real estate funds with the remaining 40% invested in fixed income investments.

Fund 40 seeks moderate income and capital appreciation by investing 40% of its net assets in domestic equity, international equity and real estate funds with the remaining 60% of its net assets in fixed income funds.

Fund 20 seeks income and some capital appreciation by investing 20% of its net assets in domestic equity, international equity and real estate funds, with the remaining 80% of its net assets in fixed income and money market investments.

Fixed Income Fund seeks to preserve your principal investment with less volatility than an all bond portfolio, while providing modest current income by investing 50% of its net assets in money market mutual funds and 50% in fixed income funds.

Attached to this Program Disclosure Statement as "Exhibit C - Investment Portfolios and Underlying Fund Information" is a listing of the various mutual funds the Board has approved and the relative weighting of each underlying fund within the Age-

Based and Target Portfolios. The actual weightings of any of these Portfolios may vary. The Program Manager will rebalance the weightings in each Portfolio in the underlying funds on an ongoing basis.

Individual Fund Portfolios

The Plan also offers 19 Individual Fund Portfolios. Each Individual Fund Portfolio is invested solely in shares of a single underlying mutual fund. You may allocate your Contributions to an Account among one or more Individual Fund Portfolios according to your investment objective and risk tolerance. Since the Individual Fund Portfolios invest in a single mutual fund, their performance is based solely on the performance of the individual mutual funds in which each of the Individual Fund Portfolios are invested. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than the Target or Age-Based Portfolios.

Account Owners do not own shares of the underlying mutual funds directly, but rather own shares in a Portfolio of the Plan. The underlying mutual funds in which each Individual Fund Portfolio is invested are set forth in "Exhibit C - Investment Portfolios and Underlying Fund Information." The Individual Fund Portfolios are designed for Account Owners seeking a more focused investment strategy.

The Individual Fund Portfolios are briefly described as follows:

Money Market 529 Portfolio

Vanguard Prime Money Market 529 Portfolio – invests solely in Vanguard Prime Money Market Fund (Instl. Shares). The fund seeks to provide current income while maintaining liquidity and a stable share price of \$1. The fund invests primarily in high-quality, short-term money market instruments, including certifi-

cates of deposit, banker's acceptances, commercial paper, and other money market securities.

An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

Fixed Income 529 Portfolios

PIMCO Short-Term 529 Portfolio – invests solely in PIMCO Short-Term Fund (Instl. Class). The fund seeks maximum current income, consistent with preservation of capital and daily liquidity. The fund is an alternative approach for money market investors who seek enhanced returns, capital preservation and daily liquidity. The fund is an actively managed enhanced cash strategy that invests in high quality money market instruments and short-term fixed income securities.

Vanguard Intermediate-Term Bond Index 529 Portfolio – invests solely in Vanguard Intermediate-Term Bond Index Fund (Investor Shares). The fund seeks to track the performance of a market-weighted bond index with an intermediate-term, dollar-weighted average maturity. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Barclays Capital U.S. 5–10 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 5 and 10 years and are publicly issued.

Vanguard Total Bond Market Index 529 Portfolio – invests solely in Vanguard Total Bond Market Index Fund (Instl. Shares). The fund seeks to track the performance of a broad, market-weighted bond index. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. This index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year.

PIMCO Total Return 529 Portfolio – invests solely in PIMCO Total Return Fund (Instl. Class). The fund seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund is a diversified portfolio of high quality bonds that is actively managed to maximize return in a risk-controlled framework.

Vanguard Inflation-Protected Securities 529 Portfolio – invests solely in Vanguard Inflation-Protected Securities Fund (Admiral Shares). The fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the fund will be rated "investment-grade."

Balanced 529 Portfolio

T. Rowe Price Balanced 529 Portfolio – invests solely in T. Rowe Price Balanced Fund (Inv. Class). The fund seeks to provide capital growth, current income, and preservation of capital through a portfolio of stocks and fixed-income securities. The fund normally invests approximately 65% of total assets in U.S. and foreign common stocks and 35% in fixed income securities.

Real Estate 529 Portfolio

Vanguard REIT Index 529 Portfolio – invests solely in Vanguard REIT Index Fund (Investor Shares). The fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI US REIT Index. The index is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). The fund attempts to replicate the index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Domestic (U.S.) Equity 529 Portfolios

Vanguard Value Index 529 Portfolio – invests solely in Vanguard Value Index Fund (Investor Class). The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Prime Market Value Index, a broadly diversified index predominantly made up of value stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard 500 Index 529 Portfolio – invests solely in Vanguard 500 Index Fund (Signal Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Total Stock Market Index 529 Portfolio – invests solely in Vanguard Total Stock Market Index Fund (Instl. Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market. The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI US Broad Market Index, which represents 99.5% or more of the total market capitalization of all the U.S. common stocks regularly traded on the New York Stock

Exchange and the Nasdaq over-the-counter market. The fund typically holds 1,200–1,300 of the stocks in its target index (covering nearly 95% of the index's total market capitalization) and a representative sample of the remaining stocks. The fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Vanguard Growth Index 529 Portfolio – invests solely in Vanguard Growth Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Prime Market Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Mid-Cap Index 529 Portfolio – invests solely in Vanguard Mid-Cap Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Extended Market Index 529 Portfolio – invests solely in Vanguard Extended Market Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the Standard & Poor's Completion Index, a broadly diversified index of stocks of small and medium-size U.S. companies. The S&P Completion Index contains all of the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market, except those stocks included in the S&P 500 Index. The fund invests all, or substantially all, of its assets in stocks of its target index, with nearly 80% of its assets invested in approximately 1,200 of the stocks in its target index (covering nearly 85% of the index's total market capitalization), and the rest of its assets in a representative sample of the remaining stocks. The fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Fidelity Advisor Mid Cap II 529 Portfolio – invests solely in Fidelity Advisor Mid Cap II Fund (Instl. Class). The fund seeks long-term growth of capital. The fund normally invests primarily in common stocks with at least 80% of assets in securities of companies with medium market capitalizations (which, for purposes of this fund, are those companies with market capitalizations similar to companies in the Russell Midcap Index or the Standard & Poor's Mid-Cap 400 Index). The fund potentially will invest in companies with smaller or larger market capitalizations. The fund may invest in either growth stocks or value stocks or both.

Vanguard Small-Cap Value Index 529 Portfolio – invests solely in Vanguard Small-Cap Value Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Small Cap Value Index, a broadly diversified index of value stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Small-Cap Index 529 Portfolio – invests solely in Vanguard Small-Cap Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Small-Cap Growth Index 529 Portfolio – invests solely in Vanguard Small-Cap Growth Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization growth stocks. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Small Cap Growth Index, a broadly diversified index of growth stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

International Equity 529 Portfolio

Vanguard Total International Stock Index 529 Portfolio – invests solely in Vanguard Total International Stock Index Fund (Investor Shares). The fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Europe, the Pacific region, and emerging markets countries. The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI EAFE + Emerging Markets Index, an index designed to measure the performance of stocks

of companies located in Europe, the Pacific region, and emerging markets countries. The index includes approximately 1,700 stocks of companies located in 43 countries. As of October 31, 2009, the largest markets covered in the index were the United Kingdom, Japan, France, Australia, Germany, and Switzerland (which made up approximately 16%, 16%, 8%, 6%, 6%, and 6%, respectively, of the index's market capitalization). The fund invests substantially all of its assets in the common stocks included in its target index, while employing a form a sampling to reduce risk.

For additional information on the individual mutual funds underlying the Individual Fund Portfolios, see "Exhibit C - Investment Portfolios and Underlying Fund Information."

The descriptions above are taken from the most recent prospectuses (dated prior to July 1, 2010) of the relevant funds and are intended to provide general information regarding the mutual funds' respective investment objectives. **You should consult each mutual fund's prospectus for more complete information. You can obtain the prospectus for any of the funds from the Plan's website at CollegeCounts529.com.**

It is important to remember that none of the Plan, the State of Alabama or its officials/employees, the Board, the Treasurer, nor the Program Manager or any of its affiliates can guarantee a minimum rate of return. Furthermore, funds deposited in an Account are not guaranteed or insured by the State of Alabama, the Board, the Treasurer, the Program Manager or its affiliates, the FDIC, or any other party. See "Risk Factors."

Can I Change My Investment Election?

The Account Owner may change the Portfolio or Portfolios in which his or her Account is invested once per calendar year, or upon a change of the Designated Beneficiary. If an Account Owner has multiple Accounts in the Plan for the same Designated Beneficiary, or multiple Accounts in the Plan, the CollegeCounts 529 Fund Advisor Plan and the PACT Program, the Account Owner may change the Portfolios in all such accounts without tax consequences, so long as the changes to all of the Accounts are made at the same time.

A transfer from the CollegeCounts 529 Fund Advisor Plan or the PACT Program to the CollegeCounts 529 Fund (or vice versa) for the same Designated Beneficiary, is treated as an investment change. Investment changes are permissible only once per calendar year or upon a change of Designated Beneficiary.

A transfer from the CollegeCounts 529 Fund Advisor Plan to the CollegeCounts 529 Fund (or vice versa), with a change of the Designated Beneficiary to a Member of the Family of the Designated Beneficiary, is not treated as an investment change.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind. To change the Portfolio or Portfolios in which your Account is invested, you may log on to your account at CollegeCounts529.com to complete an

investment change online. You may also download the Change of Investment Option Form and complete and submit the form as directed, or call the Plan at (866) 529 - 2228 for instructions.

The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by telephone or Internet are genuine, including requiring certain personal identifying information prior to acting upon telephone or Internet instructions. None of the Program Manager, the Plan, nor the Board will be liable for following telephone or Internet instructions that are reasonably believed to be genuine.

Can I Change the Investment of my Current Balance and Future Contributions?

You can make an investment change once per calendar year or upon a change of Designated Beneficiary. You may change the investment of current or future contributions by logging into your Account at CollegeCounts529.com. If you complete a paper Change of Investment Option Form your current balance and all future contributions will be invested as directed on the form.

How Is the Value of My Account Calculated?

The assets in your Account represent a portion of each Portfolio you have selected, expressed as a number of units. The net asset value ("NAV") of each unit of a Portfolio is based on the underlying funds in which a Portfolio invests, and is calculated by multiplying the net asset value per share of the underlying fund shares held in that Portfolio by the number of underlying fund shares held in that Portfolio, adding any receivables attributable to that Portfolio, subtracting any liabilities (including accrued fees and expenses) attributable to that Portfolio, dividing by the number of outstanding units for that Portfolio, and rounding to the nearest cent.

The NAV for each Portfolio offered by the Program is calculated each business day the New York Stock Exchange is open after the value of each underlying fund is determined. Updated NAVs are available each day on the Plan's website. The value of your Account will increase or decrease depending on the aggregate value of the underlying funds. The value of each underlying mutual fund is determined in accordance with procedures described in its current prospectus.

PERFORMANCE

How Have the Portfolios Performed?

On July 30, 2010, the Higher Education 529 Fund, which was managed by Van Kampen Asset Management, Inc. and its affiliates, transitioned into the CollegeCounts 529 Fund. The inception date for the Portfolios the Plan offers is planned for August 2, 2010. As a result, the Portfolios the Plan offers are new and there is no historical performance information available for the Plan's Portfolios. The following tables show the past performance of the underlying investment funds the Plan Portfolios utilize. The performance figures shown below do not reflect the Plan's expenses and do not take into account the weighting of the underlying investment funds within the Age-Based and Target Portfolios. Due to the expenses of the Plan, the performance of the Portfolios will be lower than the performance of the underlying investment funds shown below.

All of the performance data shown for the underlying funds represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate so that your Account may be worth less than the sum of your Contributions. For actual performance data of the Investment Portfolios current to the most recent month-end, visit the Plan's website at CollegeCounts529.com, or call (866) 529 – 2228.

Account Owners do not own shares of the underlying mutual funds directly, but rather own shares in a Portfolio of the Program. As a result, the performance of the Portfolios will differ from the performance of the underlying mutual funds, even in circumstances where a Portfolio invests in an individual mutual fund. This is due in part to the differences in the expense ratios of the underlying funds and the Portfolios.

Performance differences between a Portfolio and its underlying

mutual funds may also result from differences in the timing of purchases. On days when Contributions are made to an Account, shares will be purchased in the underlying mutual fund(s) the next business day. This timing difference, depending on how the markets are moving, will cause the Portfolio's performance to either trail or exceed the underlying mutual fund's performance.

UNDERLYING FUND PERFORMANCE

As of June 30, 2010

Fund Name	Ticker	1Y	3Y	5Y	10Y	15Y	Inception
Vanguard Prime Money Market Fund (Instl.)	VMRXX	0.08%	0.24%	2.09%	3.17%	2.92%	10/3/1989
PIMCO Short-Term Fund (Instl.)	PTSHX	0.88%	3.71%	3.74%	3.86%	3.73%	10/7/1987
Vanguard Intermediate-Term Bond Index Fund (Inv)	VBIIX	7.62%	13.38%	8.90%	5.95%	7.24%	3/1/1994
Vanguard Total Bond Market Index Fund (Instl.)	VBPIX	5.41%	9.45%	7.69%	5.62%	6.33%	9/18/1995
PIMCO Total Return Fund (Instl.)	PTTRX	5.80%	13.31%	11.12%	7.44%	7.83%	5/11/1987
Vanguard Inflation-Protected Securities Fund (Admiral)	VAIPX	4.36%	9.64%	7.32%	4.82%	4.93%*	6/10/2005
T. Rowe Price Balanced Fund	RPBAX	-3.70%	12.74%	-3.58%	2.46%	3.03%	12/29/1939
Vanguard REIT Index Fund (Inv)	VGSIX	5.61%	54.95%	-8.41%	0.47%	9.63%*	5/13/1996
Vanguard Value Index Fund (Inv)	VIVAX	-5.45%	15.89%	-12.09%	-1.32%	1.09%	11/2/1992
Vanguard 500 Index Fund (Signal)	VIFSX	-6.66%	14.45%	-9.76%	n/a	-4.60%*	9/29/2006
Vanguard Total Stock Market Index Fund (Instl.)	VITSX	-5.94%	16.00%	-9.14%	-0.15%	-0.70%	7/7/1997
Vanguard Growth Index Fund (Inv)	VIGRX	-7.90%	13.40%	-6.88%	0.27%	-3.79%	11/2/1992
Vanguard Mid-Cap Index Fund (Inv)	VIMSX	-2.13%	26.70%	-8.60%	1.05%	4.96%	5/21/1998
Vanguard Extended Market Index Fund (Inv)	VEXMX	-1.77%	23.67%	-7.66%	1.29%	1.52%	12/21/1987
Fidelity Advisor Mid Cap II Fund (Instl)	FILMX	0.39%	21.65%	-4.56%	4.59%	8.45%*	8/12/2004
Vanguard Small-Cap Value Index Fund (Inv)	VISVX	-1.03%	27.26%	-8.12%	0.25%	7.04%	5/21/1998
Vanguard Small-Cap Index Fund (Inv)	NAESX	-1.37%	25.06%	-7.36%	1.34%	3.85%	10/3/1960
Vanguard Small-Cap Growth Index Fund (Inv)	VISGX	-1.72%	22.77%	-6.84%	2.20%	3.71%	5/21/1998
Vanguard Total International Stock Index Fund (Inv)	VGTSX	-12.01%	8.63%	-11.46%	2.77%	1.42%	4/29/1996

PLAN FEES AND EXPENSES

What Does the Plan Cost?

An annual account fee of \$12 will be deducted from your Account in November of each year. If you close your Account during the year, you will be charged a pro rated Account fee. The annual account fee is waived if either the Account Owner or the Designated Beneficiary is an Alabama resident.

A program management fee is accrued by each Portfolio under the Plan on a daily basis. The program management fee is not reflected as a direct charge against your Account on your account statements, but rather is reflected as an expense in the daily NAV calculation for each Portfolio, as discussed in "How is the Value of my Account Calculated" above. The program management fee is an annual rate of 0.25% of the average daily net assets of each Portfolio. Under certain circumstances, the Program Manager, in its sole discretion, may waive a portion of its program management fee with respect to a Portfolio. Any such waiver would be voluntary and may be discontinued at any time.

Each Portfolio will also indirectly bear its pro rata share of the fees and expenses of the underlying mutual funds. Although these expenses and fees are not charged to Program Accounts, they will reduce the investment returns realized by each Portfolio.

Asset-Based Fees	
Program Management Fee	0.25%
State Administrative Fee	none
Additional Fees	
Annual Account Fee	\$12
Annual Account Fee (Alabama Account Owner or Designated Beneficiary)	none
Cancellation Fee	none
Change in Beneficiary	none
Investment Option Change	none

*Deducted from Portfolio assets.

The Program Manager may receive and retain from the underlying mutual funds an amount up to 0.15% of Program assets invested in such underlying mutual funds for certain administration or other shareholder services associated with maintaining an investment in such underlying mutual funds. These amounts are paid directly to the Program Manager by the mutual funds and do not affect the value of your Account.

Fee and Expense Table

The following tables set forth the Plan's estimate of the fees and expenses applicable to the Age-Based, Target and Individual Fund Portfolios. The actual expenses of each Portfolio may be different. The "Total Annual Asset-Based Fees" estimated below include the program management fee and the underlying mutual fund expense ratios.

The following notes relate to the information contained in the table on the following page outlining the fees and expenses of the Plan.

¹For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund's most recent prospectus dated prior to July 1, 2010, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Program Disclosure Statement.

²An annual account fee of \$12 will be deducted from your Account in November of each year. The annual account fee is waived if either the Account Owner or the Designated Beneficiary is an Alabama resident. If you close your Account during the year, you will be charged a pro rated Account fee. The Program Manager will remit any annual Account fees collected to the State for purposes of the Plan.

Fees & Expense Table

	Annual Asset-Based Fees				
	Estimated Underlying Fund Expenses ¹	Program Management Fees	State Fee ²	Total Annual Asset-Based Fees	Account Fee (Waived for Alabama Residents)
Fund 100	0.14%	0.25%	None	0.39%	\$12
Fund 80	0.12%	0.25%	None	0.37%	\$12
Fund 60	0.11%	0.25%	None	0.36%	\$12
Fund 40	0.10%	0.25%	None	0.35%	\$12
Fund 20	0.09%	0.25%	None	0.34%	\$12
Fixed Income Fund	0.09%	0.25%	None	0.34%	\$12
Aggressive Portfolio					
Ages 0-8	0.14%	0.25%	None	0.39%	\$12
Ages 9-12	0.12%	0.25%	None	0.37%	\$12
Ages 13-16	0.11%	0.25%	None	0.36%	\$12
Ages 17-20	0.10%	0.25%	None	0.35%	\$12
Ages 21+	0.09%	0.25%	None	0.34%	\$12
Moderate Portfolio					
Ages 0-8	0.12%	0.25%	None	0.37%	\$12
Ages 9-12	0.11%	0.25%	None	0.36%	\$12
Ages 13-16	0.10%	0.25%	None	0.35%	\$12
Ages 17-20	0.09%	0.25%	None	0.34%	\$12
Ages 21+	0.09%	0.25%	None	0.34%	\$12
Conservative Portfolio					
Ages 0-8	0.11%	0.25%	None	0.36%	\$12
Ages 9-12	0.10%	0.25%	None	0.35%	\$12
Ages 13-16	0.09%	0.25%	None	0.34%	\$12
Ages 17-20	0.09%	0.25%	None	0.34%	\$12
Ages 21+	0.10%	0.25%	None	0.35%	\$12
Vanguard Prime Money Market 529 Portfolio	0.10%	0.25%	None	0.35%	\$12
PIMCO Short-Term 529 Portfolio	0.50%	0.25%	None	0.75%	\$12
Vanguard Intermediate-Term Bond Index 529 Portfolio	0.22%	0.25%	None	0.47%	\$12
Vanguard Total Bond Market Index 529 Portfolio	0.07%	0.25%	None	0.32%	\$12
PIMCO Total Return 529 Portfolio	0.64%	0.25%	None	0.89%	\$12
Vanguard Inflation-Protected Securities 529 Portfolio	0.12%	0.25%	None	0.37%	\$12
T. Rowe Price Balanced 529 Portfolio	0.71%	0.25%	None	0.96%	\$12
Vanguard REIT Index 529 Portfolio	0.26%	0.25%	None	0.51%	\$12
Vanguard Value Index 529 Portfolio	0.26%	0.25%	None	0.51%	\$12
Vanguard 500 Index 529 Portfolio	0.07%	0.25%	None	0.32%	\$12
Vanguard Total Stock Market Index 529 Portfolio	0.06%	0.25%	None	0.31%	\$12
Vanguard Growth Index 529 Portfolio	0.28%	0.25%	None	0.53%	\$12
Vanguard Mid-Cap Index 529 Portfolio	0.27%	0.25%	None	0.52%	\$12
Vanguard Extended Market Index 529 Portfolio	0.30%	0.25%	None	0.55%	\$12
Fidelity Advisor Mid Cap II 529 Portfolio	0.95%	0.25%	None	1.20%	\$12
Vanguard Small-Cap Value Index 529 Portfolio	0.28%	0.25%	None	0.53%	\$12
Vanguard Small-Cap Index 529 Portfolio	0.28%	0.25%	None	0.53%	\$12
Vanguard Small-Cap Growth Index 529 Portfolio	0.28%	0.25%	None	0.53%	\$12
Vanguard Total International Stock Index 529 Portfolio	0.32%	0.25%	None	0.57%	\$12

HYPOTHETICAL EXPENSE EXAMPLE

The following table compares the approximate cost of investing in the Plan over different periods of time. Your actual costs may be higher or lower. The hypothetical chart assumes an initial \$10,000 investment in a Plan Portfolio and a 5% annual rate of return, compounded annually. All expense ratios and asset allocations are assumed to remain the same for the duration of the periods.

The chart assumes that all withdrawals are made for Higher Education Costs and, therefore, does not reflect the impact of

potential federal, state, or local taxes. This hypothetical does not reflect actual expenses or performance from the past or future. Actual expenses may be higher or lower than those shown.

The \$12 annual account fee is waived if either the Account Owner or Designated Beneficiary is an Alabama resident. Non-Alabama residents need to add an additional \$12 to the One Year number; \$36 to the Three Year number; \$60 to the Five Year number; and, \$120 to the Ten Year number in the Hypothetical Expense Table.

HYPOTHETICAL EXPENSE EXAMPLE	One Year	Three Years	Five Years	Ten Years
Fund 100	\$40	\$126	\$219	\$494
Fund 80	\$38	\$119	\$208	\$469
Fund 60	\$37	\$116	\$202	\$456
Fund 40	\$36	\$113	\$197	\$444
Fund 20	\$35	\$109	\$191	\$431
Fixed Income Fund	\$35	\$109	\$191	\$431
Aggressive Portfolio				
Ages 0-8	\$40	\$126	\$219	\$494
Ages 9-12	\$38	\$119	\$208	\$469
Ages 13-16	\$37	\$116	\$202	\$456
Ages 17-20	\$36	\$113	\$197	\$444
Ages 21+	\$35	\$109	\$191	\$431
Moderate Portfolio				
Ages 0-8	\$38	\$119	\$208	\$469
Ages 9-12	\$37	\$116	\$202	\$456
Ages 13-16	\$36	\$113	\$197	\$444
Ages 17-20	\$35	\$109	\$191	\$431
Ages 21+	\$35	\$109	\$191	\$431
Conservative Portfolio				
Ages 0-8	\$37	\$116	\$202	\$456
Ages 9-12	\$36	\$113	\$197	\$444
Ages 13-16	\$35	\$109	\$191	\$431
Ages 17-20	\$35	\$109	\$191	\$431
Ages 21+	\$36	\$113	\$197	\$444

HYPOTHETICAL EXPENSE EXAMPLE	One Year	Three Years	Five Years	Ten Years
Vanguard Prime Money Market 529 Portfolio	\$36	\$113	\$197	\$444
PIMCO Short-Term 529 Portfolio	\$77	\$241	\$418	\$933
Vanguard Intermediate-Term Bond Index 529 Portfolio	\$48	\$151	\$264	\$592
Vanguard Total Bond Market Index 529 Portfolio	\$33	\$103	\$180	\$406
PIMCO Total Return 529 Portfolio	\$91	\$285	\$495	\$1,100
Vanguard Inflation-Protected Securities 529 Portfolio	\$38	\$119	\$208	\$489
T. Rowe Price Balanced 529 Portfolio	\$98	\$307	\$533	\$1,189
Vanguard REIT Index 529 Portfolio	\$52	\$164	\$286	\$642
Vanguard Value Index 529 Portfolio	\$52	\$164	\$286	\$642
Vanguard 500 Index 529 Portfolio	\$33	\$103	\$180	\$406
Vanguard Total Stock Market Index 529 Portfolio	\$32	\$100	\$174	\$394
Vanguard Growth Index 529 Portfolio	\$54	\$170	\$297	\$666
Vanguard Mid-Cap Index 529 Portfolio	\$53	\$167	\$291	\$654
Vanguard Extended Market Index 529 Portfolio	\$56	\$177	\$308	\$691
Fidelity Advisor Mid Cap II 529 Portfolio	\$123	\$383	\$663	\$1,461
Vanguard Small-Cap Value Index 529 Portfolio	\$54	\$170	\$297	\$666
Vanguard Small-Cap Index 529 Portfolio	\$54	\$170	\$297	\$666
Vanguard Small-Cap Growth Index 529 Portfolio	\$54	\$170	\$297	\$666
Vanguard Total International Stock Index 529 Portfolio	\$58	\$183	\$319	\$715

FEDERAL AND STATE TAX CONSIDERATIONS

What Are the Federal Income Tax Advantages of the Plan?

There are two main federal income tax advantages to investing in the Plan:

- Investment earnings on the money you invest in the Plan will not be subject to federal income tax until they are distributed; and
- If the investment earnings are distributed as part of a Qualified Withdrawal, they are free from federal income tax.

There are also potential federal income tax disadvantages to an investment in the Plan when withdrawals are not used for Higher Education Costs. To the extent that a distribution from an Account is a Nonqualified Withdrawal, the portion of the Nonqualified Withdrawal attributable to investment earnings will be ordinary income to the recipient; no part of such earnings portion will be treated as capital gain. Under current law, the tax rates on ordinary income are generally greater than the tax rates on capital gain. Additionally, to the extent that a distribution is a Nonqualified Withdrawal, the federal income tax liability of the recipient will be increased by an amount equal to 10% of any earnings portion of the distribution. However, this 10% federal penalty tax will not apply if the Nonqualified Withdrawal is paid to a Designated Beneficiary (or the estate of a Designated Beneficiary) on or after the death of the Designated Beneficiary, is made on account of the disability of the Designated Beneficiary, or to the extent of the amount of certain scholarships or other allowances or payments received by the Designated Beneficiary. A Qualified Rollover Distribution is not subject to federal income tax or the 10% federal penalty tax. For a more detailed description of federal tax aspects of the Plan, see "Exhibit B - Tax Information."

Are Contributions to the Program Tax Deductible?

Federal law does not allow a tax deduction for Contributions to the Program. However, Contributions may be deductible up to certain limits for Alabama state income tax purposes.

What Are the State of Alabama Income Tax Advantages of the Program?

The Alabama state income tax advantages of investing in the Plan are similar to the federal income tax advantages. The investment earnings on the money invested in the Plan will not be subject to Alabama income tax until they are distributed, and if the investment earnings are distributed as part of a Qualified Withdrawal, such earnings are free from Alabama state income tax. In addition, for Alabama state income tax purposes, a deduction is allowed up to \$5,000 per taxpayer per year for contributions made after December 31, 2007. This deduction is increased up to \$10,000 for married taxpayers filing a joint return where both taxpayers make such contributions.

However, there are Alabama state income tax disadvantages to an investment in the Plan when withdrawals are not used to pay for Higher Education Costs then a Nonqualified Withdrawal occurs. To the extent that a distribution from an Account is a Nonqualified Withdrawal, the amount of the withdrawal, plus 10% of the amount withdrawn, is added back to the income of the contributing taxpayer in the year the Nonqualified Withdrawal is distributed.

Before investing in the CollegeCounts 529 Fund you should consider carefully the following:

1. Depending on the laws of your home state or that of your Designated Beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if you invest in such home state's 529 college savings plan;
2. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision; and
3. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You may also wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state's 529 college savings plan.

How Is the Earnings Portion of My Account Calculated for Tax Purposes?

For any year there is a withdrawal from your Account, the Program Manager will provide you a Form 1099-Q. This form sets forth the total amount of the withdrawal and identifies the earnings portion and the contribution portion of any such withdrawal. All Accounts for the benefit of a single Designated Beneficiary and having the same Account Owner, including any accounts in the CollegeCounts 529 Fund Advisor Plan and the PACT Program, must be treated as a single account for purposes of calculating the earnings portion of each withdrawal. Thus, if more than one Account is established for a Designated Beneficiary that has the same Account Owner and a Nonqualified Withdrawal is made from one or more accounts, the amount includible in taxable income must be calculated based on the earnings portion of all accounts. Thus, the amount withdrawn from an Account may carry with it a greater or lesser amount of income than the earnings portion of that Account alone, depending on the earnings portion of other accounts for that Designated Beneficiary. In the case of a Nonqualified Withdrawal or other taxable distribution, this aggregation rule may result in an Account Owner being taxed upon more or less income than that directly attributable to the earnings portion of the Account from which the withdrawal was made. See "Exhibit B - Tax Information."

What Are the Federal Gift and Estate Tax Considerations of the Plan?

For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Designated Beneficiary. If an Account Owner dies while there is a balance in the Account, the value of the Account is generally not includible in the Account Owner's estate for federal estate tax purposes. However, amounts in an Account at the death of the Designated Beneficiary are includible in the Designated Beneficiary's gross estate. An Account Owner's contributions to an Account are eligible for the annual gift tax exclusion. Currently, the annual exclusion is \$13,000 per donee (\$26,000 for a married couple). This means that currently you may contribute up to \$13,000 to an Account, without the Contribution being considered a taxable gift if you make no other gifts to the Designated Beneficiary in the same

year. In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years. **You must make this election on your Federal Gift Tax Return Form 709.**

This means that you may contribute up to \$65,000 to an Account currently without the Contribution being considered a taxable gift, provided that you make no other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$130,000 currently) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. If the Account Owner dies before the end of the five year period, the portion of the Contributions allocable to years after the year of death will be includible in the Account Owner's gross estate for federal estate tax purposes. The annual exclusion is indexed for inflation and therefore is expected to increase over time. See "Exhibit B - Tax Information."

Can I Contribute to, or Withdraw from, the Plan and a Coverdell Education Savings Account?

An individual may contribute to, or withdraw money from, both a 529 qualified tuition program account and a Coverdell Education Savings Account in the same year. However, if the total withdrawals from both accounts exceed the amount of Higher Education Costs that qualify for tax-free treatment under Section 529 of the Code, the recipient must allocate his or her Higher Education Costs between both such withdrawals in order to determine how much may be treated as tax-free under each program.

DISTRIBUTIONS FROM AN ACCOUNT

How Do I Request a Distribution From an Account?

All distribution requests must be made in writing, by telephone, or through the website. An Account Owner may establish telephone and internet transaction privileges for an Account through the Plan's web site (CollegeCounts529.com) or by calling (866) 529 - 2228.

The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by telephone or internet are genuine, including requiring certain personal identifying information prior to acting upon telephone or internet instructions. None of the Program Manager, the Board, or the Treasurer will be liable for following telephone or internet instructions that are reasonably believed to be genuine.

The Program Manager will review each withdrawal request to determine that all information needed to process such request has been received. Withdrawal requests will be satisfied as soon as practicable following the Program Manager's receipt and review of a properly completed Withdrawal Request. The Plan typically will process the withdrawal and initiate payment of a distribution within three business days. During periods of market

volatility and at year-end, withdrawal requests may take up to five business days to process.

If you have made a contribution by check or via an EFT or AIP, you will not be able to withdraw funds in your Account until your check has cleared or your EFT or AIP has been deducted from your bank account, and the Program has collected funds.

Although the Program Manager will report the earnings portion of a withdrawal, it is solely the responsibility of the person receiving the withdrawal to calculate and report any resulting tax liability.

What Constitutes a Qualified Withdrawal?

Qualified Withdrawals from your Account are free from federal and Alabama state income tax. A Qualified Withdrawal is a withdrawal that is used to pay the Higher Education Costs of the Designated Beneficiary. Qualified Higher Education Costs include:

- Tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an eligible educational institution;
- Computers, computer equipment and Internet access and related services that the Designated Beneficiary or the Designated Beneficiary's family use during the time the Designated Beneficiary is enrolled if paid or incurred in 2009 or 2010;
- Certain room and board expenses incurred while enrolled in a degree or certificate program on at least a half-time basis. A student will generally be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled;
- Room and board expenses are included as qualified higher education expenses for those students enrolled at least half-time, provided that such expenses do not exceed the greater of (1) the amount included by the Institution of Higher Education in its "cost of attendance," as defined under federal law, or (2) the actual invoiced amount the student is charged for residing in housing owned or operated by the Institution of Higher Education; and
- Expenses for special needs services in the case of a special needs Designated Beneficiary which are incurred in connection with such Designated Beneficiary's enrollment or attendance at an Institution of Higher Education.

A Qualified Withdrawal may be distributed as follows:

1. To the Account Owner;
2. To the Account Owner's bank account;
3. To the Designated Beneficiary;
4. Directly to the Institution of Higher Education; or
5. Payable to both the Institution of Higher Education and the Designated Beneficiary.

Should I Document Higher Education Costs?

You should retain documentation of all of the Designated Beneficiary's Higher Education Costs for your records since

money in your Account may be withdrawn free from federal and Alabama state income tax only if it is used to pay the Designated Beneficiary's Higher Education Costs. The Account Owner or Designated Beneficiary is responsible for determining whether a distribution from an Account is a Qualified or Nonqualified Withdrawal and for paying any applicable taxes or penalties.

When Must Withdrawals Begin?

There is no Designated Beneficiary age or other deadline by which distributions from your Account must begin. It is important to match payment of expenses and the corresponding withdrawal in the same calendar year for tax purposes. If after a period of sixty (60) years from the effective date of the Account Agreement, the Account has not been closed, the Account Agreement has not been terminated, and the Account has been dormant for three years, the Board, after making a reasonable effort to contact the Account Owner and the Designated Beneficiary, will close the Account and presume the Account monies, if any, unclaimed and abandoned property. The monies are available to be claimed by visiting moneyquestalabama.com. The Account Owner may request that the Account remain in effect beyond the sixty (60) year period by filing a written request with the Board.

Can I Make Withdrawals for Other Purposes?

You may withdraw money from your Account at any time. However, to the extent that the withdrawal is a Nonqualified Withdrawal, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes, and will generally also be subject to a 10% federal penalty tax. Certain exceptions to the imposition of the penalty tax apply. See "Exhibit B - Tax Information."

The Account Owner or Designated Beneficiary is responsible for determining whether a distribution from an Account is a Qualified or Nonqualified Withdrawal and for paying any applicable taxes or penalties.

What Are the Exceptions to the Federal Penalty Tax?

The additional 10% federal penalty tax does not apply to all Nonqualified Withdrawals. Generally, Nonqualified Withdrawals are not subject to the 10% federal penalty tax if they are:

1. Paid to a Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary.
2. Made because the Designated Beneficiary is disabled. A person is considered to be disabled if he or she shows proof that he or she cannot do any substantial gainful activity because of his or her physical or mental condition. A physician must determine that his or her condition can be expected to result in death or to be of long-continued and indefinite duration.
3. Included in income because the Designated Beneficiary received a tax-free scholarship or fellowship; Veteran's educational assistance; employer-provided educational assistance; or any other nontaxable payments (other than gifts or inheritances) received as educational assistance.
4. Made on account of the attendance of the Designated Beneficiary at a U.S. military academy (such as the

USNA at Annapolis). This exception applies only to the extent that the amount of the distribution does not exceed the costs of advanced education (as defined in Section 2005(d)(3) of Title 10 of the U.S. Code) attributable to such attendance.

5. Included in income only because the qualified education expenses were taken into account in determining the American Opportunity, Hope, or Lifetime Learning Credit.

Exception (3) applies only to the extent the distribution is not more than the scholarship, allowance, or payment.

You should consult your tax advisor regarding the application of any of the above exceptions. See "Exhibit B - Tax Information."

May I Roll Over My Account to Another Qualified Tuition Program?

You may direct a transfer of money from your Account to an account in another 529 qualified tuition program for the same or another Designated Beneficiary. Alternatively, you may make a withdrawal from your Account and re-deposit the withdrawn balance within 60 days into an account in another 529 qualified tuition program for the same or another Designated Beneficiary without penalty.

If the Designated Beneficiary stays the same, the transfer will be treated as an income tax-free Qualified Rollover Distribution as long as the transfer does not occur within 12 months from the date of a previous rollover to another 529 qualified tuition program for the Designated Beneficiary. If you change beneficiaries, the transfer will be treated as a Qualified Rollover Distribution only if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary.

What Happens to an Account If the Designated Beneficiary Does Not Attend College?

If the Designated Beneficiary does not pursue a higher education, you may withdraw the Account balance or change the Designated Beneficiary of the Account. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary.

To the extent that you make a Nonqualified Withdrawal from the Account, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes and will be subject to a 10% federal penalty tax. For Alabama state income tax purposes, the amount of the Nonqualified Withdrawal, plus 10% of the amount of the Nonqualified Withdrawal, will be included in the contributor's income for the year in which such Nonqualified Withdrawal is made. For more information, see "Exhibit B - Tax Information."

How do I Close an Account?

To withdraw all of the funds and close your Account, download the Withdrawal Form and complete and submit the form as directed, or call the Plan at (866) 529 - 2228 for instructions. The Plan does not charge any surrender or other withdrawal fees. However, if you close your Account prior to the date on which the annual account fee is assessed, you will be charged a pro rated Account Fee, if applicable. In addition, if you have made

a Contribution by check, EFT, or AIP, you may not be able to withdraw funds in your Account until the check through which you made your Contributions clears and the Program has collected funds.

LIMITATIONS AND PENALTIES

Are There Limits on Investment Changes?

Under federal law, neither you nor the Designated Beneficiary may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. As a result, federal law only allows you to change the Portfolio or Portfolios in which Contributions or any earnings on such Contributions are invested once per calendar year, or upon a change of Designated Beneficiary.

If an Account Owner has multiple accounts in the Plan for the same Designated Beneficiary, or multiple accounts in the Plan and other Alabama Section 529 programs, the Account Owner may change the Portfolios in all such accounts without tax consequences, so long as the changes to all of the accounts are made at the same time and no more frequently than once per calendar year or upon a change of Designated Beneficiary.

Are There Limits on Transfers to Other Alabama Section 529 Programs?

Accounts in the Program are also offered through the CollegeCounts 529 Fund Advisor Plan. You may transfer money from your Plan Account to the CollegeCounts 529 Fund Advisor Plan or from the CollegeCounts 529 Fund Advisor Plan to your Plan Account without the imposition of any penalties, other than any applicable contingent deferred sales charges for Fee Structure B Accounts in the CollegeCounts 529 Fund Advisor Plan. However, any such transfer constitutes an investment change and therefore may only occur once per calendar year, or upon a change of Designated Beneficiary.

Are There Limitations on Transfers Out of the Program?

You may roll over your Account to another 529 qualified tuition program without potentially adverse federal income tax consequences only if the rollover does not occur within 12 months from the date of a previous rollover to another 529 qualified tuition program for the Designated Beneficiary, or upon a change of Designated Beneficiary.

Are There State of Alabama Income Tax Considerations on Transfers Out of the Program?

Qualified Withdrawals on transfers out of the program are treated the same for Alabama state income tax purposes as for federal income tax purposes. If a rollover out the Plan is treated as a Nonqualified Withdrawal, then the amount of such Nonqualified Withdrawal, plus an amount equal to 10% of the amount of the Nonqualified Withdrawal, shall be added into income of the contributing taxpayer in the year of the withdrawal. If a rollover out of the Plan is treated as a Qualified Withdrawal, the Qualified Withdrawal would not be subject to Alabama state income tax.

Are There Penalties on Withdrawals From the Plan?

The Plan does not charge a withdrawal fee. If an Account Owner withdraws funds as a Nonqualified Withdrawal, the earnings

portion of the withdrawal will be includible in your federal gross income and subject to a 10% federal penalty tax. For distributions paid in connection with the Designated Beneficiary's death or disability or receipt of a scholarship, the earnings portion of an Account may be subject to federal and state income taxes, but may not be subject to the 10% federal penalty tax. For Alabama state income tax purposes, if an Account Owner withdraws funds as a Nonqualified Withdrawal, then the amount of the Nonqualified Withdrawal, plus an amount equal to 10% of the amount of the Nonqualified Withdrawal, shall be included in income for the Account Owner for the year in which the withdrawal was made.

OTHER INFORMATION

How Will Investment in the Plan Affect My Designated Beneficiary's Chances of Receiving Financial Aid?

The eligibility of the Designated Beneficiary for financial aid may depend upon the circumstances of the Designated Beneficiary's family at the time the Designated Beneficiary enrolls in an Institution of Higher Education, as well as on the policies of the governmental agencies, school, or private organizations to which the Designated Beneficiary and/or the Designated Beneficiary's family applies for financial assistance. These policies vary at different institutions and can change over time. Therefore, no person or entity can say with certainty how the federal aid programs, or the school to which the Designated Beneficiary applies, will treat your Account. Discuss this with school officials at the institutions to which your Designated Beneficiary applies.

Are Contributions Part of an Account Owner's Bankruptcy Estate?

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 protects many Section 529 accounts in federal bankruptcy proceedings. Your Account will be protected if the Designated Beneficiary is your child, stepchild, grandchild, or stepgrandchild (including a child, stepchild, grandchild, or stepgrandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 accounts for the same Designated Beneficiary at least 720 days before a federal bankruptcy filing are completely protected;
- Contributions made to all Section 529 accounts for the same Designated Beneficiary more than 365 days, but less than 720 days before a federal bankruptcy filing are protected up to \$5,850; and
- Contributions made to all Section 529 accounts for the same Designated Beneficiary less than 365 days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy proceedings.

Your own state law may offer additional creditor protections. You should consult your legal advisor regarding the effect of any bankruptcy filing on your Account.

Does Alabama Law Protect Accounts From Creditors? No.

What Kind of Statements Will I Receive?

You will receive quarterly statements showing:

- Contributions made to the Account;
- Change in Account value for the period;
- Withdrawals made from the Account;
- Account fee paid during the period;
- The total value of the Account at the end of that time period; and
- Information concerning the Maximum Account Balance Limitation.

Carefully review all confirmations and account statements to verify the accuracy of the transactions. Any discrepancies must be reported to the Program Manager within 30 days of the date of the confirmation or statement. If you fail to notify us of any error, you will be considered to have approved the transaction.

To reduce the amount of duplicate mail that is sent to a household, the Program Manager will combine Account statements that have the same Account Owner and mailing address in the same mailing. The Program Manager will send one copy of the Program Disclosure Statement and other Plan communications to Account Owners at each respective household address. The Plan periodically matches and updates addresses of record against the U.S. Postal Service's change of address database to minimize undeliverable items.

You can view quarterly statements online at CollegeCounts529.com. To do so, you will need to create an online user name and password and provide additional identifying information to establish your online account.

Information including prospectuses and other disclosures of all fees and expenses associated with mutual funds and other investments made by the Program is available at CollegeCounts529.com.

Is the Program Audited?

Each year an independent public accountant selected by the Program Manager will audit the Plan. The auditors will examine financial statements for the Plan and provide other audit, tax, and related services. The Board may also conduct audits of the Program and the Trust. The Plan's audited financial statements will be available online at CollegeCounts529.com.

How Can I Have Online Access to My Account?

You can access information about your Account 24 hours a day by logging in to your Account at CollegeCounts529.com. You will need to select a user name and password and follow the online steps. The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by internet are genuine, including certain identifying information prior to acting upon internet instructions. None of the Program Manager, the Board, or the Treasurer will be liable for following internet instructions that are reasonably believed to be genuine. To safeguard your Account, please keep your information confidential.

Where Can I Obtain Additional Information?

To answer your questions or request an Enrollment Form, please visit CollegeCounts529.com, call (866) 529 - 2228 or write to CollegeCounts 529 Fund, P.O. Box 85290, Lincoln, NE 68501-5290.

To comply with Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended, the Board, on behalf of the Plan, has entered into a continuing disclosure agreement for the benefit of Account Owners. Under the continuing disclosure agreement, the Board, on the Plan's behalf and as permitted by law, will provide certain annual financial information relating to the Program and notices of the occurrence of certain material events enumerated in the continuing disclosure agreement.

EXHIBIT A — ACCOUNT AGREEMENT

For The CollegeCounts 529 Fund

Pursuant to the terms and conditions of this Account Agreement, the Account Owner, by completing and signing an Enrollment Form, hereby requests the Alabama College Education Savings Program, marketed as the CollegeCounts 529 Fund, (hereinafter, the "Program") to open (or in the case of a successor Account Owner, to maintain) an Account in the CollegeCounts 529 Fund (hereinafter, the "Plan") for the individual designated on the Enrollment Form as the Designated Beneficiary (hereinafter, "Designated Beneficiary").

SECTION 12 OF THIS AGREEMENT IS AN ARBITRATION PROVISION. YOU SHOULD READ THE ARBITRATION PROVISION CAREFULLY. IT MAY HAVE A SUBSTANTIAL IMPACT ON YOUR RIGHTS.

GENERAL TERMS AND CONDITIONS

This Account Agreement among you, the Board and the Program Manager, as amended and supplemented from time to time, governs the terms of each Account you establish pursuant to your submission to the Program Manager of a properly completed Enrollment Form. By signing an Enrollment Form, you agree to be bound by the terms of this Account Agreement, as amended or supplemented from time to time, the Program Rules and the Act.

The Alabama College Education Savings Program, marketed as the CollegeCounts 529 Fund, was established by the State under the Act to allow Account Owners to save for the Qualified Higher Education Expenses of a Designated Beneficiary at an Eligible Educational Institution. Under the Act, the Board of the Program oversees administration of the Program and its members act as trustees of the Program Trust Fund. Pursuant to the Act, the Board has delegated day-to-day administration of the Program to the Treasurer. Under the Act, the Board is authorized to employ private sector firms to provide investment management services, marketing services and administrative services for the Program. Pursuant to the Program Management Agreement, the Board has retained Union Bank & Trust Company to act as Program Manager for the Program.

The Program Disclosure Statement for the Plan describes the terms and conditions of the Plan in greater detail and is incorporated in its entirety into this Account Agreement. Before making any investment in the Plan, you should read carefully the Program Disclosure Statement in its entirety.

Capitalized terms not defined in this Account Agreement shall have the meanings assigned to them in the Program Disclosure Statement.

The Account Owner, the Board and the Program Manager agree as follows:

Section 1. Accounts and Beneficiaries.

- (a) **Opening an Account.** To establish an Account on behalf of a Designated Beneficiary under the Program, a prospective Account Owner must execute and submit a completed Enrollment Form to the Program Manager.

- (b) **Separate Accounts.** The Program will maintain a separate Account for each Designated Beneficiary. Each Account will be governed by an Account Agreement, the Act, the Program Disclosure Statement and the Program Rules. An Account Owner may establish multiple separate Accounts for the same Designated Beneficiary. All assets held in your Account will be held for the exclusive benefit of you and the Designated Beneficiary as provided by applicable law.
- (c) **Ownership.** The Account Owner is the sole owner of all Contributions to an Account and any earnings thereon. Different rules may apply if the source of any Contribution to an Account is a custodial account established under a state's Uniform Gifts to Minors Act or Uniform Transfers to Minors Act.
- (d) **Naming and Changing Beneficiaries.** You will name the Designated Beneficiary for an Account on the Enrollment Form. You can change the Designated Beneficiary at any time, subject to federal and state law, and the Program Rules. In order to avoid certain adverse tax consequences, a new Designated Beneficiary must be a "Member of the Family" of the replaced Beneficiary, as that term is defined under Section 529(e)(2) of the Internal Revenue Code of 1986, as amended, or any other corresponding provision of future law (the "Code"). The designation of the new Designated Beneficiary will be effective upon the Program Manager's receipt of the appropriate form, properly completed.
- (e) **Selection of Investment Portfolios.** Money invested in an Account will be invested in the Investment Portfolio or Portfolios the Account Owner selects in the Enrollment Form. The Account Owner may change the Investment Portfolio or Portfolios in which money is invested once every calendar year, or with such other frequency as the Internal Revenue Service may provide, or upon a change of the Designated Beneficiary. The Board may change the asset allocation of any Age-Based Portfolio or Target Portfolio, add, eliminate or change the Underlying Investment Fund(s) for an Investment Portfolio, create additional Investment Portfolios, or eliminate Investment Portfolios without regard to prior selections made by Account Owners. The Board is not obligated to provide prior notice of such changes or to update the Program Disclosure Statement prior to any such change, but may do so in the Board's sole discretion.
- If an Account Owner has multiple accounts in the Program for the same Designated Beneficiary, the Account Owner may change the Portfolio in all such accounts without tax consequences, so long as the changes to all of the accounts are made at the same time. You are responsible for ensuring that your Account has been assigned or reassigned to the correct Investment Portfolio, that each Contribution has been credited to the correct Account and that your Account has been assigned to the correct Fee Structure. You must notify the Program Manager within thirty (30) days of any errors.

Section 2. Contributions.

- (a) **Contributions To Be in Cash.** All Contributions must be in cash. Cash means Contributions in U.S. Dollars made by (i) checks, (ii) money order, (iii) payroll deductions made by your employer, (iv) electronic funds transfers from your bank, (v) an automatic investment plan, (vi) wire transfers, (vii) Rewards from the CollegeCounts 529 Rewards Visa® Card, or (viii) a rollover from another 529 qualified tuition plan.
- (b) **Minimum Contributions.** There is no minimum contribution amount. A Contribution need not be made every year.
- (c) **Additional Contributions.** You may make additional Contributions at any time, subject to the overall limit described in the next paragraph.
- (d) **Maximum Account Balance Contribution Limitation.** The Board will set a Maximum Account Balance Limitation for the Program. No Contribution to an Account for a Designated Beneficiary will be permitted if the aggregate balance of all Accounts for the Designated Beneficiary, including for this purpose all accounts in the PACT Program for the Designated Beneficiary, equals \$300,000. Any Contribution in excess of the Maximum Account Balance Limitation will be returned to the Account Owner. The Board will inform you of the Maximum Account Balance Limitation for each year.

Section 3. Distribution From Accounts.

You may direct the Program Manager to distribute part or all of the money in an Account at any time.

- (a) You must complete a withdrawal request form, an online withdrawal form or follow such other procedures for the withdrawal of money in an Account as the Board may designate. The Board may change the withdrawal request form or modify the procedures for withdrawing money from an Account from time to time.
- (b) You acknowledge that the earnings portion of a Nonqualified Withdrawal, as defined in the Program Disclosure Statement, will be included in your income for federal tax purposes and may be subject to an additional 10% federal penalty tax. There may be additional state tax consequences associated with a Nonqualified Withdrawal and you should consult with your tax advisor.
- (c) Notwithstanding any other provision of this Agreement, the Board may terminate an Account upon a determination that you or the Account's Designated Beneficiary has provided false or misleading information to the Program or the Program Manager. The Board will pay you the balance remaining in the Account, less any state or federal taxes to be withheld, if applicable.
- (d) If you terminate your Account Agreement and close your Account, you will receive the fair market value of the Account on the date the Account is redeemed.
- (e) If an Account Agreement has not been terminated and the Account closed after a period of sixty (60) years from

its effective date, and the Account has been dormant for three years, the Board or the Program Manager, after making reasonable efforts to contact the Account Owner will close the Account and presume that the Account balance, if any, is abandoned property. The Account Owner may request that an Account remain in effect beyond the sixty (60) year period by filing a written request with the Board.

Section 4. Your Representations and Acknowledgments.

You hereby represent and warrant to, and agree with the Program, the Board, and the Program Manager as follows:

- (a) You acknowledge that you are aware that the creation of an Account under the Program subjects your Contributions to ongoing fees.
- (b) You have received and read the Program Disclosure Statement for the CollegeCounts 529 Fund and have carefully reviewed all the information contained therein, including information provided by or with respect to the Board and the Program Manager. You have been given an opportunity, within a reasonable time prior to the date of this Agreement, to ask questions and receive answers concerning (i) an investment in the Program, (ii) the terms and conditions of the Program, (iii) this Agreement, the Program Disclosure Statement, the Program Rules and the Enrollment Form, and (iv) the Investment Portfolios that are available for your Account and to obtain such additional information necessary to verify the accuracy of any information furnished. You also agree that you have had the opportunity to review and hereby approve and consent to all compensation paid or received by any party connected with the Program or any of its investments.
- (c) You acknowledge and agree that if the Program Disclosure Statement is in any way amended, modified or supplemented after you enter into this Account Agreement, that the terms of the Program Disclosure Statement, as amended, modified or supplemented, will be automatically incorporated into this Account Agreement as if fully set forth herein.
- (d) You acknowledge and agree that the value of any Account will increase or decrease based on the investment performance of the Investment Portfolio or Portfolios in which the Account is then invested. **YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT MAY BE MORE OR LESS THAN THE AMOUNT INVESTED IN THE ACCOUNT.** You agree (i) that the Board, as required by the Code, determines from time to time the underlying funds and the types of investment portfolios made up of those funds offered by the Program, relying upon advice from investment consultants in doing so, and that (ii) you will only be permitted to select an investment portfolio offered by the Program and may only change that selection at the limited times permitted by the Program, and (iii) except for the selection of an investment portfolio offered by the Program, you are not permitted to direct, nor will you direct, the invest-

ment of any funds invested in the Program, either directly or indirectly. You also acknowledge and agree that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Program makes any guarantee that you will not suffer a loss of the amount invested in any Account.

- (e) You understand that so long as Union Bank & Trust Company serves as Program Manager for the Program and is performing services for the Program it may be required to follow certain specific directives of the Board. When acting in such a specific directed capacity, Union Bank & Trust Company will not have any liability to you or any Designated Beneficiary of this Agreement.
- (f) You acknowledge and agree that participation in the Program does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by an Institution of Higher Education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Institution of Higher Education; or (v) will achieve any particular treatment under applicable state or federal financial aid program. You also acknowledge and agree that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Program makes any such representation or guarantee.
- (g) You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.
- (h) You acknowledge and agree that the Program will not loan any assets to you or the Beneficiary.
- (i) You understand and acknowledge that the Program is established and maintained under Alabama law with the intent that it will meet with certain requirements in order to qualify for certain federal income tax consequences under Section 529 of the Internal Revenue Code. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any advisor or consultant retained by the Program makes any representation that such state or federal laws will not be changed or repealed. If the Program fails to qualify as a qualified tuition program under Section 529 of the Code, such failure may have adverse tax and other consequences to you.
- (j) You acknowledge that the Program is the record owner of the shares of the mutual funds in which each Portfolio is invested and that you will have no right to vote, or direct the voting of, any proxy with respect to such shares.
- (k) If you are not, or your Designated Beneficiary is not, an Alabama resident, you understand that if your or your Designated Beneficiary's state of residence offers a qualified tuition program, it may offer tax advantages or

other benefits that may not be available to you or your Designated Beneficiary under the Program and that you are responsible for determining which qualified tuition program is best suited to your investment needs based on your investment objectives, time horizon, tax status and other investment holdings.

- (l) You understand that with respect to residents of Alabama, contributions to your Account may be entitled to an Alabama state income tax deduction and that the earnings portion of a Distribution from an Account for qualified higher education expenses will not be subject to Alabama state income tax and your participation in the Program generally will have the Alabama income tax consequences described in the Program Disclosure Statement. Such Alabama tax laws are subject to change, sometimes with retroactive effect.

Section 5. Fees and Expenses.

The Program will make certain charges against each Account in order to provide for the costs of administration of the Accounts and such other purposes as the Board shall determine appropriate.

- (a) **Account Fee.** Each Account will be charged an annual account fee of \$12. The Account fee is deducted from your Account annually in approximately November of each year. The annual Account Fee is waived if the Account Owner or the Designated Beneficiary is a resident of Alabama.
- (b) **Program Management Fee.** Each Portfolio is subject to a maximum program management fee at an annual rate of 0.25%.
- (c) **Investment Management Fees.** You agree and acknowledge that each of the mutual funds or other investments also will have investment management fees and other expenses, which will be disclosed or made available on an annual basis.
- (d) **Change in Fees.** You acknowledge and agree that the charges described above may be increased or decreased as the Board shall determine to be appropriate.

Section 6. Necessity of Qualification. The Program intends to qualify for favorable federal tax treatment under Section 529 of the Code. You agree and acknowledge that qualification under Section 529 of the Code is vital and agree that the Board may amend this Account Agreement upon a determination that such an amendment is required to maintain such qualification.

Section 7. Audit. The Program Manager shall cause the Program and its assets to be audited at least annually by a certified public accountant. A copy of the annual report can be obtained by calling the Program at (866) 529 – 2228, or by going to CollegeCounts529.com.

Section 8. Reporting. The Program, through the Program Manager, will make quarterly reports of Account activity and the value of each Account. Account information can also be obtained via the Program's website at CollegeCounts529.com.

Section 9. Account Owner's Indemnity. You recognize that each Account will be established based upon your statements, agreements, representations, and warranties set forth in this Account Agreement and the Enrollment Form. You agree to indemnify and to hold harmless the Board, the Program, the Treasurer, the Program Manager and its affiliates, and any representatives of the Program from and against any and all loss, damage, liability, or expense, including costs of reasonable attorneys' fees to which they may be put or which they may incur by reason of, or in connection with, any breach by you of your acknowledgments, representations, or warranties or any failure of you to fulfill any covenants or agreements set forth herein. You agree that all statements, representations, and warranties will survive the termination of your Account.

Section 10. Amendment and Termination. Nothing contained in the Program or this Account Agreement shall constitute an agreement or representation by the Board, the Treasurer or anyone else that the Program will continue in existence. At any time, the Board may amend the Program Rules, the Program Disclosure Statement, this Account Agreement and other Program documents, and may change the Program Manager and the Investment Portfolios under the Program. In addition, the legislature of the State of Alabama may dissolve the Program at any time and dissolution of the Program may result in a distribution from your Account that may be subject to income taxes and additional tax penalties.

Section 11. Governing Law, Jurisdiction and Venue, Waiver of Jury Trial. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Alabama. You agree (on behalf of yourself and your Designated Beneficiary) that the courts located in Montgomery, Alabama, shall have exclusive jurisdiction over any legal proceedings between you (and/or your Designated Beneficiary) and the Board that arise out of or relate to this Account Agreement. In any such proceeding, you (on behalf of yourself and your Designated Beneficiary) agree to waive any right you may have to a trial by jury.

Section 12. Arbitration.

YOU SHOULD READ THIS ARBITRATION PROVISION CAREFULLY. IT MAY HAVE A SUBSTANTIAL IMPACT ON YOUR RIGHTS.

- (a) **Agreement to Arbitrate.** Unless prohibited by applicable law, any legal dispute between you and us (as defined below) will be resolved by binding arbitration. In arbitration, a dispute is resolved by an arbitrator instead of a judge or jury. Arbitration procedures are simpler and more limited than court procedures.
- (b) **Coverage and Definitions.** As used in this Section 12 Arbitration Provision, the following terms have the following meanings:
 - (i) "You," "your" and "yours" refer to the Account Owner and any successor Account Owner, acting on the Account Owner's own behalf or on behalf of the Designated Beneficiary and any successor Designated Beneficiary.

- (ii) "We," "us," "our" and "ours" refer to: (A) the Program Manager; (B) any company that owns or controls the Program Manager (a "Parent Company"); and (C) any company that is controlled by a Parent Company or the Program Manager. Also, if either you or we elect to arbitrate any Claim you bring against us, the persons who may benefit by this Arbitration Provision include any other persons or companies you make a Claim against in the same proceeding.

- (iii) "Claim" means any legal dispute between you and us that relates to, arises out of or has anything at all to do with: (A) this Account Agreement, this Arbitration Provision or the Program; or (B) any related advertising, promotion, disclosure or notice. This includes a dispute about whether this Arbitration Provision or this Account Agreement is valid or enforceable, about when this Arbitration Provision applies and/or about whether a dispute is arbitrable. It includes disputes about constitutional provisions, statutes, ordinances, and regulations, compliance with contracts and wrongful acts of every type (whether intentional, fraudulent, reckless or negligent). This Arbitration Provision applies to actions, omissions and events prior to, on or after the date of this Account Agreement. It applies to disputes involving requests for injunctions, other equitable relief and/ or declaratory relief. However, notwithstanding any language in this Arbitration Provision to the contrary, the term "Claim" does not include any dispute that is asserted by a party on a class basis; unless and until any such dispute is finally resolved to be inappropriate for class treatment in court, such dispute shall not constitute a "Claim" hereunder, and any such dispute shall be resolved by a court and not by an arbitrator or arbitration administrator.

- (iv) "Administrator" means JAMS, 620 Eighth Avenue, 34th Floor, New York, NY 10018, www.jamsadr.org; the American Arbitration Association (the "AAA"), 1633 Broadway, 10th Floor, New York, NY 10019, www.adr.org; or any other company selected by mutual agreement of the parties. If both JAMS and AAA cannot or will not serve and the parties are unable to select an Administrator by mutual consent, the Administrator will be selected by a court. You may select the Administrator if you give us written notice of your selection with your notice that you are electing to arbitrate any Claim or within 20 days after we give you notice that we are electing to arbitrate any Claim (or, if you oppose in court our right to arbitrate a matter, within 20 days after the court determination). If you do not select the Administrator on time, we will select the Administrator.

- (c) **Important Notice. IF YOU OR WE ELECT TO ARBITRATE A CLAIM, YOU AND WE WILL NOT HAVE THE RIGHT TO PURSUE THAT CLAIM IN COURT OR HAVE A JURY DECIDE THE CLAIM. ALSO, YOUR AND OUR ABILITY**

TO OBTAIN INFORMATION AND TO APPEAL IS MORE LIMITED IN AN ARBITRATION THAN IN A LAWSUIT. OTHER RIGHTS THAT YOU AND WE WOULD HAVE IN A LAWSUIT IN COURT MAY ALSO NOT BE AVAILABLE IN ARBITRATION.

(d) ***Prohibition Against Certain Proceedings.*** (i) **NO PARTY MAY PARTICIPATE IN A CLASS-WIDE ARBITRATION, EITHER AS A PLAINTIFF, DEFENDANT OR CLASS MEMBER; (ii) NO PARTY MAY ACT AS A PRIVATE ATTORNEY GENERAL IN ANY ARBITRATION; (iii) CLAIMS BROUGHT BY OR AGAINST YOU MAY NOT BE JOINED OR CONSOLIDATED WITH CLAIMS BROUGHT BY OR AGAINST ANY OTHER PERSON IN ANY ARBITRATION; AND (iv) THE ARBITRATOR SHALL HAVE NO AUTHORITY TO CONDUCT A CLASS-WIDE ARBITRATION, PRIVATE ATTORNEY GENERAL ARBITRATION OR MULTIPLE-PARTY ARBITRATION.**

(e) ***Initiating Arbitration Proceedings.*** A party asserting a Claim must first comply with Section 12(k), regarding "Notice and Cure." Additionally, a party electing arbitration must give written notice of an intention to initiate or require arbitration. This notice can be given after the beginning of a lawsuit and can be given in the papers filed in the lawsuit. If such notice is given, unless prohibited by applicable law any Claim shall be resolved by arbitration under this Arbitration Provision and, to the extent consistent with this Arbitration Provision, the applicable rules of the Administrator that are in effect at the time the Claim is filed with the Administrator. A party who has asserted a Claim in a lawsuit may still elect arbitration with respect to any Claim that is later asserted in the same lawsuit by any other party (and in such case either party may also elect to arbitrate the original Claim). The arbitrator will be selected in accordance with the Administrator's rules. However, unless both you and we agree otherwise, the arbitrator must be a lawyer with more than 10 years of experience or a retired judge. We promise that we will not elect to arbitrate an individual Claim that you bring in small claims court or an equivalent court. However, we may elect to arbitrate a Claim that is transferred, removed or appealed to any different court.

(f) ***Arbitration Location and Costs.*** Any arbitration hearing that you attend will take place in a reasonably convenient location for you. If the amount in controversy is less than \$10,000 and you object to the fees charged by the Administrator and/or arbitrator, we will consider in good faith any reasonable written request for us to bear the fees charged by the Administrator and/or arbitrator. Also, we will pay any fees or expenses we are required to pay by law or are required to pay so that a court will enforce this Arbitration Provision. Each party must pay for that party's own attorneys, experts and witnesses, provided that we will pay all such reasonable fees and costs you incur if required by applicable law and/or the Administrator's rules or if you are the prevailing party and we are required to bear such fees and costs so that a court will enforce this Arbitration Provision.

(g) ***Applicable Law.*** You and we agree that this Account Agreement and this Arbitration Provision involve interstate commerce, and this Arbitration Provision is governed by the Federal Arbitration Act ("FAA"), 9 U.S.C. § 1, et seq. The arbitrator must follow, to the extent applicable: (i) the substantive law related to any Claim; (ii) statutes of limitations; and (iii) claims of privilege recognized at law, and shall be authorized to award all remedies available in an individual lawsuit under applicable substantive law, including, without limitation, compensatory, statutory and punitive damages (which shall be governed by the constitutional standards applicable in judicial proceedings), declaratory, injunctive and other equitable relief, and attorneys' fees and costs. Upon the timely request of any party to an arbitration proceeding, the arbitrator must provide a brief written explanation of the basis for the award. The arbitrator will determine the rules of procedure and evidence to apply, consistent with the arbitration rules of the Administrator and this Arbitration Provision. In the event a conflict between this Arbitration Provision, on the one hand, and any other Arbitration Provision between you and us or the rules or policies of the Administrator, on the other hand, this Arbitration Provision shall govern. The arbitrator will not be bound by federal, state or local rules of procedure and evidence or by state or local laws concerning arbitration proceedings.

(h) ***Getting Information.*** In addition to the parties' rights to obtain information under the Administrator's rules, any party may submit a written request to the arbitrator seeking more information. A copy of such request must be provided to the other parties. Those parties will then have the right to object in writing within 30 days. The objection must be sent to the arbitrator and the other parties. The arbitrator will decide the issue in his or her sole discretion within 20 days thereafter.

(i) ***Effect of Arbitration Award.*** Any court with jurisdiction may enter judgment upon the arbitrator's award. The arbitrator's decision will be final and binding, except for any appeal right under the FAA and except for Claims involving more than \$100,000. For these Claims, any party may appeal the award within 30 days to a three-arbitrator panel appointed pursuant to the Administrator's rules. That panel will reconsider from the start any aspect of the initial award that any party asserts was incorrectly decided. The decision of the panel shall be by majority vote and will be final and binding, except for any appeal right under the FAA. Unless applicable law (or Section 120), regarding "Corrective Action; Survivability and Severability of Terms") requires otherwise, the costs of an appeal to an arbitration panel will be borne by the appealing party, regardless of the outcome of the appeal. However, we will pay any fees or expenses we are required to pay so that a court will enforce this Arbitration Provision.

(j) ***Corrective Action; Survivability and Severability of Terms.*** A party must be given written notice and a reasonable opportunity of at least 30 days to remedy any

circumstance that might preclude arbitration of a Claim. This Arbitration Provision shall survive: (i) termination of the Program; and (ii) the bankruptcy of any party. If any portion of this Arbitration Provision is deemed invalid or unenforceable, the remaining portions shall nevertheless remain in force. This Arbitration Provision can only be amended or supplemented by written Arbitration Provision.

- (k) **Notice and Cure.** Prior to initiating litigation or arbitration regarding a Claim, the party asserting the Claim (the "Claimant") shall give the other party or parties written notice of the Claim (a "Claim Notice") and a reasonable opportunity, not less than 30 days, to cure the Claim. Any Claim Notice must explain the nature of the Claim and the relief that is demanded. The Claimant must reasonably cooperate in providing any information about the Claim that the other party or parties reasonably request.
- (l) **Arbitration Notices.** Any notice to us under this Arbitration Provision must be sent to us by registered or certified mail or by a messenger service such as Federal Express, CollegeCounts 529 Fund, 6811 South 27th Street, Lincoln, Nebraska 68512. Any such notice must be signed by you and must provide your name, address and telephone number. Any notice to you under this Arbitration Provision must be sent to you by registered or certified mail or by a messenger service such as Federal Express, at the most recent address for you we have in our records.

EXHIBIT B — TAX INFORMATION

The following discussion summarizes certain aspects of federal and state income, gift, estate, and generation-skipping transfer tax consequences relating to the CollegeCounts 529 Fund and Contributions to, earnings of, and withdrawals from the Accounts. The summary is not exhaustive and is not intended as individual tax advice. In addition, there can be no assurance that the Internal Revenue Service ("IRS") or Alabama Department of Revenue will accept the statements made herein or, if challenged, that such statements would be sustained in court. The applicable tax rules are complex, and certain of the rules are at present uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. The Internal Revenue Code and regulations thereunder, and judicial and administrative interpretations thereof, are subject to change, retroactively or prospectively, and no one under the Program will be entitled to receive or be obligated to give notice of any such changes or modifications. A qualified tax advisor should be consulted regarding the application of law in individual circumstances.

This summary is based on the relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Alabama state tax law, and proposed Treasury regulations. It is possible that Congress, the Treasury Department, the IRS, the State of Alabama, and other taxing authorities or the courts may take actions that will adversely affect the tax law consequences described and that such adverse effects may be retroactive. No final tax regulations or rulings concerning the Alabama College Education Savings Program have been issued by the IRS and, when issued, such regulations or rulings may alter the tax consequences summarized herein or necessitate changes in the Program to achieve the tax benefits described. The summary does not address the potential effects on Account Owners or Beneficiaries of the tax laws of any state other than Alabama.

Alabama Income Tax Consequences

In general, with certain exceptions, the computation of taxable income for Alabama income tax purposes conforms to federal law. This conformity for Alabama state income tax purposes applies to the Plan as a "qualified tuition program." The undistributed investment earnings in the Plan are exempt from Alabama income tax, and the earnings attributed to an Account will not be includable in the Alabama income of the Account Owner or a Designated Beneficiary until the funds are withdrawn, in whole or in part, from the Account. The Alabama income tax consequences of a withdrawal from the Account will vary depending upon whether the withdrawal constitutes a Qualified Withdrawal or a Nonqualified Withdrawal.

If the distribution constitutes a Qualified Withdrawal from an Account, then no portion of the distribution is includable in the Alabama income of the Designated Beneficiary or the Account Owner. Similarly, no portion of a Qualified Rollover Distribution is includable in the Alabama income of either the Designated Beneficiary or the Account Owner. However, to the extent that a withdrawal from an Account is a Nonqualified Withdrawal, then the entire amount of the Nonqualified Withdrawal, plus an amount equal to ten (10%) percent of the amount of the

Nonqualified Withdrawal, is includable in income for Alabama income tax purposes of the contributing taxpayer in the year of the withdrawal. This is different from the treatment for federal income tax purposes. For federal income tax purposes the earnings portion of the Nonqualified Withdrawal is subject to tax, not the contribution amount. No exceptions to the recapture of the amount of the Nonqualified Withdrawal exists for Alabama income tax purposes.

Another difference between the Alabama income tax consequences and federal income tax consequences is that a contribution to the Plan is deductible up to certain limits. Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly who each make contributions) for total combined contributions to the Plan, the CollegeCounts 529 Fund Advisor Plan and the PACT Program during that year. The contributions made to such qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made.

Alabama Gift, Estate, Other Alabama Taxes

The State of Alabama does not have a gift tax or generation-skipping tax, but does have an estate tax. Under the provisions of Alabama, the Alabama estate tax is based on the federal estate tax.

Federal Income Tax Treatment of the Trust, Contributions, and Withdrawals

The Alabama College Education Savings Program is designed to be a "qualified tuition program" under Section 529 of the Code. As such, undistributed investment earnings in the Program are exempt from federal income tax. Earnings of the Program credited to an Account will not be includable in the federal gross income of the Account Owner or Designated Beneficiary until funds are withdrawn, in whole or in part, from the Account. The treatment of a withdrawal from an Account will vary depending on the nature of the withdrawal. Contributions are not deductible for federal income tax purposes.

If there are earnings in an Account, each distribution from the Account consists of two parts. One part is a return of the contributions to the Account (the "Contributions Portion"). The other part is a distribution of earnings in the Account (the "Earnings Portion"). A pro rata calculation is made as of the date of the distribution of the Earnings Portion and the Contributions Portion of the distribution.

Qualified Withdrawals

If a Qualified Withdrawal is made from an Account, no portion of the distribution is includable in the gross income of either the Designated Beneficiary or the Account Owner.

Qualified Rollover Distributions

No portion of a Qualified Rollover Distribution is includable in the gross income of either the Designated Beneficiary or the Account Owner.

Nonqualified Withdrawals

To the extent that a withdrawal from an Account is a Nonqualified Withdrawal, the Earnings Portion of such Nonqualified Withdrawal is includable in the federal gross income of the recipient of the withdrawal for the year in which the withdrawal is made. The Contributions Portion is not includable in gross income.

Generally, the recipient of a Nonqualified Withdrawal will also be subject to a "penalty tax" equal to 10% of the Earnings Portion of the withdrawal.

There are, however, exceptions to the 10% federal penalty tax if they are:

- 1) Paid to a Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary.
- 2) Made because the Designated Beneficiary is disabled. A person is considered to be disabled if he or she shows proof that he or she cannot do any substantial gainful activity because of his or her physical or mental condition. A physician must determine that his or her condition can be expected to result in death or to be of long-continued and indefinite duration.
- 3) Included in income because the Designated Beneficiary received a tax-free scholarship or fellowship; Veteran's educational assistance; employer-provided educational assistance; or any other nontaxable payments (other than gifts or inheritances) received as educational assistance.
- 4) Made on account of the attendance of the Designated Beneficiary at a U.S. military academy (such as the USNA at Annapolis). This exception applies only to the extent that the amount of the distribution does not exceed the costs of advanced education (as defined in Section 2005(d)(3) of Title 10 of the U.S. Code) attributable to such attendance.
- 5) Included in income only because the qualified education expenses were taken into account in determining the American Opportunity, Hope, or Lifetime Learning Credit.

Exception (3) applies only to the extent the distribution is not more than the scholarship, allowance, or payment.

Change of Designated Beneficiary

A change in the Designated Beneficiary of an Account is not treated as a distribution if the new Designated Beneficiary is a Member of the Family of the former Designated Beneficiary. However, if the new Designated Beneficiary is not a Member of the Family of the former Designated Beneficiary, the change is treated as a Nonqualified Withdrawal by the Account Owner. A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax or generation-skipping transfer tax consequences.

Aggregation of Accounts

All Accounts for the benefit of a single Designated Beneficiary and having the same Account Owner, including any accounts in other Alabama Section 529 plans, must be treated as a single account for purposes of calculating the Earnings Portion of each withdrawal. Thus, if more than one Account is created for a Designated Beneficiary that has the same Account Owner and a Nonqualified Withdrawal is made from one or more accounts, the amount includible in taxable income must be calculated based on the Earnings Portion of all accounts. The amount withdrawn from an Account may carry with it a greater or lesser amount of

income than the Earnings Portion of that Account alone, depending on the Earnings Portion of other accounts for that Designated Beneficiary. In the case of a Nonqualified Withdrawal or other taxable distribution, this aggregation rule may result in an Account Owner being taxed upon more or less income than that directly attributable to the Earnings Portion of the Account from which the withdrawal was made.

Annual Tax Reporting

For any year there are withdrawals from your Account, the Program Manager will send out a Form 1099-Q. This form sets forth the total amount of the distribution and identifies the Earnings Portion and the Contribution Portion of each withdrawal. If the distribution is made to the Account Owner, the Form 1099-Q will be sent to them. If the distribution is to the Designated Beneficiary or made directly to the Institution of Higher Education, the Form 1099-Q will be sent to the Designated Beneficiary. You should consult with your tax professional for the proper tax reporting and treatment of distributions.

Coordination With Other Higher Education Cost Benefit Programs

The tax benefits afforded to qualified tuition programs such as the Program must be coordinated with other programs designed to provide tax benefits for meeting higher education expenses in order to avoid the duplication of such benefits. The coordinated programs include Coverdell Education Savings Accounts under Section 530 of the Code, the Tuition and Fees Deduction, and the American Opportunity, Hope and Lifetime Learning Credits under Section 25A of the Code.

Coverdell Education Savings Accounts

An individual may contribute to, or withdraw money from, both a qualified tuition program account and a Coverdell Education Savings Account in the same year. However, to the extent the total withdrawals from both accounts exceed the amount of adjusted Higher Education Costs that qualify for tax-free treatment under Section 529 of the Code, the recipient must allocate his or her Higher Education Costs between both such withdrawals in order to determine how much may be treated as tax-free under each program.

American Opportunity, Hope, and Lifetime Learning Tax Credits

The use of an American Opportunity, Hope, or Lifetime Learning Credit by a qualifying Account Owner and Designated Beneficiary will not affect participation in or receipt of benefits from a qualified tuition program account, so long as any withdrawal from the account is not used for the same expenses for which the credit was claimed.

Federal Gift, Estate, and Generation Skipping Transfer Taxes

Contributions to an Account are considered completed gifts to the Designated Beneficiary of the Account for federal estate, gift, and generation skipping transfer tax purposes. Except as described below, if an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner's gross estate for federal estate tax purposes. However, amounts in an Account at the death of the Designated Beneficiary are includible in the Designated Beneficiary's gross estate.

A donor's gifts to a donee in any given year will not be taxable if the gifts are eligible for, and do not in total exceed, the gift tax "annual exclusion" for such year. Currently, the annual exclusion is \$13,000 per donee, or twice that amount (i.e., \$26,000) for a married donor whose spouse elects on a Federal Gift Tax Return to "split" gifts with the donor. The annual exclusion is indexed for inflation and is expected to increase in the future.

Under Section 529, a donor's contributions to an Account for a Designated Beneficiary are eligible for the gift tax annual exclusion. Contributions that qualify for the gift tax annual exclusion are also excludible for purposes of the Federal generation-skipping transfer ("GST") tax. Accordingly, so long as the donor's total contributions to Accounts for the Designated Beneficiary in any year (together with any other gifts made by the donor to the Designated Beneficiary in such year) do not exceed the annual exclusion amount for such year, the donor's contributions will not be considered taxable gifts and will be excludible for purposes of the GST tax.

In addition, if a donor's total contributions to Accounts for a Designated Beneficiary in a single year exceed the annual exclusion for such year, the donor may elect to treat contributions that total up to five times the annual exclusion (or up to ten times if the donor and his or her spouse split gifts) as having been made ratably over a five year period. Consequently, a single donor may contribute up to \$65,000 in a single year without incurring federal gift tax, so long as the donor makes no other gifts to the same Designated Beneficiary during the calendar year in which the Contribution is made or any of the next four calendar years.

An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a Federal Gift Tax Return, IRS Form 709.

For example, an Account Owner who in the current year makes a \$65,000 contribution to an Account for a Designated Beneficiary may elect to have that contribution treated as a \$13,000 gift in the current year and a \$13,000 gift in each of the following four years. If the Account Owner makes no other contributions or gifts to the Designated Beneficiary in the current year and each of the following four years, and has made no excess contributions treated as gifts subject to the one-fifth rule during any of the previous four years, the Account Owner will not be treated as making any taxable gifts to the Designated Beneficiary during that five-year period. As a result, the \$65,000 contribution will not be treated as a taxable gift and will be excludible for purposes of the GST tax. However, if the Account Owner dies before the end of the five year period, the portion of the contributions allocable to years after the year of death will be includible in the Account Owner's gross estate for federal estate tax purposes.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax consequences. Specifically, if the new Designated Beneficiary is in a younger generation than the replaced Designated Beneficiary, the change or transfer will be treated for federal gift tax purposes as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary. If the new Designated Beneficiary is not a descendant of the replaced Designated Beneficiary, the new Designated Beneficiary will

be considered to be in a younger generation than the replaced Designated Beneficiary if the new Designated Beneficiary is more than 12 1/2 years younger than the replaced Designated Beneficiary. Moreover, even if the new Designated Beneficiary is in the same generation as (or in an older generation than) the replaced Designated Beneficiary, the change or transfer may be treated as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary if the new Designated Beneficiary is not a Member of the Family of the replaced Designated Beneficiary. Any change or transfer treated as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary may cause the replaced Designated Beneficiary to be liable for federal gift tax or cause other undesirable tax consequences.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may also have GST tax consequences. A change or transfer will be considered a generation-skipping transfer if the new Designated Beneficiary is two or more generations younger than the replaced Designated Beneficiary. Any change or transfer treated as a generation-skipping transfer from the replaced Designated Beneficiary to the new Designated Beneficiary may cause the replaced Designated Beneficiary to be liable for GST tax or cause other undesirable tax consequences.

A change of Account ownership may also have gift and/or GST tax consequences. Accordingly, Account Owners should consult their own tax advisors for guidance when considering a change of Designated Beneficiary or Account ownership.

Lack of Certainty of Tax Consequences

At the date of this Program Disclosure Statement, proposed regulations have been issued under Section 529 of the Code upon which taxpayers may rely at least until final regulations are issued. The proposed regulations do not, however, provide guidance on various aspects of the Alabama College Education Savings Program. It is uncertain when final regulations will be issued. There can be no assurance that the Federal tax consequences described herein for Account Owners and Beneficiaries will continue to be applicable. Section 529 of the Code or other Federal law could be amended in a manner that would materially change or eliminate the federal tax treatment described above. The Program Manager and Board intend to modify the Program within the constraints of applicable law for the Program to meet the requirements of Section 529 of the Code. In the event that the Program, as currently structured or as subsequently modified, does not meet the requirements of Section 529 of the Code for any reason, the tax consequences to the Account Owner and Beneficiaries are uncertain, and it is possible that Account Owners could be subject to taxes currently on undistributed earnings in their respective Accounts as well as to other adverse tax consequences. A potential Account Owner may wish to consider consulting a tax advisor.

For other changes to the tax consequences of participation in the Program, see "Risk Factors" above.

EXHIBIT C – INVESTMENT PORTFOLIOS AND MUTUAL FUND INFORMATION

The following tables show the target investment allocations for the Age-Based and Target Portfolios. These target allocations were designed by the Board in consultation with the Program Manager and Wilshire Associates. The Program Manager rebalances the Portfolios on an ongoing basis pursuant to the stated investment strategy. The Board may change/substitute investment funds at any time without notice.

AGE-BASED AGGRESSIVE PORTFOLIOS					
	Age of Beneficiary				
	0 – 8	9 - 12	13 – 16	17 – 20	21+
Vanguard Total Stock Market Index Fund	70%	57%	43%	30%	16%
DOMESTIC EQUITY TOTAL	70%	57%	43%	30%	16%
Vanguard Total International Stock Index Fund	27%	21%	15%	9%	4%
INTERNATIONAL EQUITY TOTAL	27%	21%	15%	9%	4%
Vanguard REIT Index Fund	3%	2%	2%	1%	0%
REAL ESTATE TOTAL	3%	2%	2%	1%	0%
Vanguard Total Bond Market Index Fund	0%	15%	33%	51%	59%
Vanguard Inflation-Protected Securities Fund	0%	5%	7%	9%	11%
BOND TOTAL	0%	20%	40%	60%	70%
Vanguard Prime Money Market Fund	0%	0%	0%	0%	10%
MONEY MARKET TOTAL	0%	0%	0%	0%	10%
TOTAL	100%	100%	100%	100%	100%

AGE-BASED MODERATE PORTFOLIOS					
	Age of Beneficiary				
	0 – 8	9 - 12	13 – 16	17 – 20	21+
Vanguard Total Stock Market Index Fund	57%	43%	30%	16%	0%
DOMESTIC EQUITY TOTAL	57%	43%	30%	16%	0%
Vanguard Total International Stock Index Fund	21%	15%	9%	4%	0%
INTERNATIONAL EQUITY TOTAL	21%	15%	9%	4%	0%
Vanguard REIT Index Fund	2%	2%	1%	0%	0%
REAL ESTATE TOTAL	2%	2%	1%	0%	0%
Vanguard Total Bond Market Index Fund	15%	33%	51%	59%	38%
Vanguard Inflation-Protected Securities Fund	5%	7%	9%	11%	12%
BOND TOTAL	20%	40%	60%	70%	50%
Vanguard Prime Money Market Fund	0%	0%	0%	10%	50%
MONEY MARKET TOTAL	0%	0%	0%	10%	50%
TOTAL	100%	100%	100%	100%	100%

AGE-BASED CONSERVATIVE PORTFOLIOS

Target Investment Allocations

	Age of Beneficiary				
	0 - 8	9 - 12	13 - 16	17 - 20	21+
Vanguard Total Stock Market Index Fund	43%	30%	16%	0%	0%
DOMESTIC EQUITY TOTAL	43%	30%	16%	0%	0%
Vanguard Total International Stock Index Fund	15%	9%	4%	0%	0%
INTERNATIONAL EQUITY TOTAL	15%	9%	4%	0%	0%
Vanguard REIT Index Fund	2%	1%	0%	0%	0%
REAL ESTATE TOTAL	2%	1%	0%	0%	0%
Vanguard Total Bond Market Index Fund	33%	51%	59%	38%	0%
Vanguard Inflation-Protected Securities Fund	7%	9%	11%	12%	0%
BOND TOTAL	40%	60%	70%	50%	0%
Vanguard Prime Money Market Fund	0%	0%	10%	50%	100%
MONEY MARKET TOTAL	0%	0%	10%	50%	100%
TOTAL	100%	100%	100%	100%	100%

TARGET PORTFOLIOS

Target Investment Allocations

	Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Fixed Income Fund
Vanguard Total Stock Market Index Fund	70%	57%	43%	30%	16%	0%
DOMESTIC EQUITY TOTAL	70%	57%	43%	30%	16%	0%
Vanguard Total International Stock Index Fund	27%	21%	15%	9%	4%	0%
INTERNATIONAL EQUITY TOTAL	27%	21%	15%	9%	4%	0%
Vanguard REIT Index Fund	3%	2%	2%	1%	0%	0%
REAL ESTATE TOTAL	3%	2%	2%	1%	0%	0%
Vanguard Total Bond Market Index Fund	0%	15%	33%	51%	59%	38%
Vanguard Inflation-Protected Securities Fund	0%	5%	7%	9%	11%	12%
BOND TOTAL	0%	20%	40%	60%	70%	50%
Vanguard Prime Money Market Fund	0%	0%	0%	0%	10%	50%
MONEY MARKET TOTAL	0%	0%	0%	0%	10%	50%
TOTAL	100%	100%	100%	100%	100%	100%

MUTUAL FUND TICKER SYMBOLS AND EXPENSE RATIOS

The following table sets forth the ticker symbols and the total operating expenses, as disclosed in each fund's most recent prospectus dated prior to July 1, 2010, of the underlying investment funds in which the Portfolios invest.

Fund Name	Ticker Symbol	Expense Ratio
Vanguard Prime Money Market Fund (Instl)	VMRXX	0.10%
PIMCO Short-Term Fund (Instl)	PTSHX	0.50%
Vanguard Intermediate-Term Bond Index Fund (Inv)	VBIIX	0.22%
Vanguard Total Bond Market Index Fund (Instl)	VBTLX	0.07%
PIMCO Total Return Fund (Instl)	PTRXX	0.64%
Vanguard Inflation-Protected Securities Fund (Admiral)	VAIPX	0.12%
T. Rowe Price Balanced Fund	RFBAX	0.71%
Vanguard REIT Index Fund (Inv)	VGSIX	0.26%
Vanguard Value Index Fund (Inv)	VIVAX	0.26%
Vanguard 500 Index Fund (Signal)	VIFSX	0.07%
Vanguard Total Stock Market Index Fund (Instl)	VITSX	0.06%
Vanguard Growth Index Fund (Inv)	VIGRX	0.28%
Vanguard Mid-Cap Index Fund (Inv)	VIMSX	0.27%
Vanguard Extended Market Index Fund (Inv)	VEXMX	0.30%
Fidelity Advisor Mid Cap II Fund (Instl)	FIIMX	0.95%
Vanguard Small-Cap Value Index Fund (Inv)	VISVX	0.28%
Vanguard Small-Cap Index Fund (Inv)	NAESX	0.28%
Vanguard Small-Cap Growth Index Fund (Inv)	VISGX	0.28%
Vanguard Total International Stock Index Fund (Inv)	VGTSX	0.32%

Set forth on the following pages are summary descriptions of the funds, selected by the Board in consultation with the Program Manager and Wilshire Associates, which make up the Target, Age-Based and Individual Fund Portfolios. The descriptions are taken from the most recent prospectuses of the fund dated prior to July 1, 2010 and are intended to summarize their respective investment objectives and policies. The performance set forth was obtained directly from the various mutual fund companies and is believed to be accurate.

For more complete information regarding any fund, you may request a prospectus by visiting www.collegecounts529.com or calling the Plan at (866) 529 - 2228. All investments carry some degree of risk which will affect the value of the Fund's investments, investment performance, and price of its shares. It is possible to lose money by investing in the Funds. For complete information please see the Fund's Prospectus.

VANGUARD PRIME MONEY MARKET FUND

Investment Objective

The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

Primary Investment Policies

The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one or the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined by Vanguard to be of quality equivalent to securities in the two highest credit-quality categories. The Fund invests more than 25% of its assets in securities issued by companies in the financial services industry. The Fund maintains a dollar-weighted average maturity of 60 days or less, and a dollar-weighted average life of 120 days or less.

Primary Risks

The Fund is designed for investors with a low tolerance for risk; however, the Fund's performance could be hurt by: *Income risk, Manager risk, Credit risk, or Industry concentration risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated December 23, 2009)

Total Annual Fund Operating Expenses.....	0.10%
Expenses deducted from Fund's assets	

PIMCO SHORT-TERM FUND

Investment Objective

The Fund seeks maximum current income, consistent with preservation of capital and daily liquidity.

Primary Investment Policies

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of "Fixed Income Instruments" of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swaps agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The average portfolio duration of this Fund will vary based on Pacific Investment Management Company LLC's ("PIMCO") forecast for interest rates and will normally not exceed one year. Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates. Similarly, a Fund with a longer average portfolio duration will be more sensitive to changes in interest

rates than a fund with a shorter average portfolio duration.

The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rates B or higher by Moody's Investors Service, Inc., or equivalently rated by Standard & Poor's Rating Services or Fitch, Inc., or, if unrated determined by PIMCO to be of comparable quality. The Fund may invest up to 10% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers. The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

The Fund may invest all of its assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities. The Fund may purchase or sell securities on a when-issued, delayed delivery or forward commitment basis and may engage in short sales. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The Fund may also invest up to 10% of its total assets in preferred stocks.

Primary Risks

The principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return are:

- **Interest Rate Risk:** the risk that fixed income securities will decline in value because of changes in interest rates; a Fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a Fund with a shorter average portfolio duration.
- **Credit Risk:** the risk that the Fund could lose money if the issuer of guarantor of the fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- **High Yield Risk:** the risk that high yield securities and unrated securities or similar credit quality (commonly known as "junk bonds") are subject to greater levels of credit and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments.
- **Issuer Risk:** the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or service.
- **Liquidity Risk:** the risk that a particular investment may be difficult to purchase or sell and that the Fund may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector.
- **Derivatives Risk:** the risk of investing in derivative investments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.

- **Equity Risk:** the risk that the value of equity securities, such as common stock and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.
- **Mortgage-Related and Other Asset-Backed Risk:** the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepayment risk.
- **Foreign (non-U.S.) Investment Risk:** the risk that investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a Fund that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments.
- **Currency Risk:** the risk that foreign currencies will decline in value relative to the U.S. dollar and affect the Fund's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.
- **Leveraging Risk:** the risk that certain transactions of the Fund, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative investments, may give rise to leverage, causing the Fund to be more volatile than if it had not been leveraged.
- **Management Risk:** the risk that the investment techniques and risk analyses applied by PIMCO will produce the desired results and that legislative, regulatory, or tax developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the Fund. There is no guarantee that the investment objective of the Fund will be achieved.
- **Short Sale Risk:** the risk of entering into short sales, including the potential loss of more money than the actual costs of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the Fund.

Fees & Expenses

(Based on the prospectus dated December 29, 2009)

Total Annual Fund Operating Expenses.....0.50%
Expenses deducted from Fund's assets

VANGUARD INTERMEDIATE-TERM BOND INDEX FUND

Investment Objective

The Fund seeks to track the performance of a market-weighted bond index with a intermediate-term dollar-weighted average maturity.

Primary Investment Policies

The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Barclays Capital U.S. 5-10 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 5 and 10 years and are publicly issued.

The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund's performance could be hurt by: *Interest rate risk, Income risk, Credit risk, or Index sampling risk.* To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 27, 2010)

Total Annual Fund Operating Expenses.....0.22%
Expenses deducted from Fund's assets

VANGUARD TOTAL BOND MARKET INDEX FUND

Investment Objective

The Fund seeks to track the performance of a broad, market-weighted bond index.

Primary Investment Policies

The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year.

The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index, which generally ranges between 5 and 10 years.

Primary Risks

An investment in the Fund could lose money over short or even

long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund's performance could be hurt by: *Interest rate risk, Income risk, Credit risk, Call risk, or Index sampling risk.* To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 27, 2010)

Total Annual Fund Operating Expenses	0.07%
Expenses deducted from Fund's assets	

PIMCO TOTAL RETURN FUND

Investment Objective

The Fund seeks maximum total return, consistent with preservation of capital and prudent investment management.

Primary Investment Policies

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities.

The average portfolio duration of the Fund normally varies within two years (plus or minus) of the duration of the Barclays Capital U.S. Aggregate Index (formerly named the Lehman Brothers U.S. Aggregate Index), which as of June 30, 2009 was 4.30 years. Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates. Similarly, a Fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a Fund with a shorter average portfolio duration. By way of example, the price of a bond Fund with an average duration of five years would be expected to fall approximately 5% if interest rates rose by one percentage point.

The Fund invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's Investors Service, Inc., or equivalently rated by Standard & Poor's Ratings Services or Fitch, Inc., or, if unrated, determined by Pacific Investment Management Company LLC ("PIMCO") to be of comparable quality. The Fund may invest up to 30% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers. The Fund may invest up to 15% of its total assets in securities and instruments that are economically tied to emerging market countries. The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

The Fund may invest all of its assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage—or asset-backed securities. The Fund may purchase or sell securities on a when-issued, delayed delivery or forward commitment basis and may engage in short sales.

The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The "total return" sought by the Fund consists of income earned of the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security.

Primary Risks

The principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return are:

- **Interest Rate Risk:** the risk that fixed income securities will decline in value because of changes in interest rates; a Fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a Fund with a shorter average portfolio duration.
- **Credit Risk:** the risk that the Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- **High Yield Risk:** the risk that high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") are subject to greater levels of credit and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments.
- **Market Risk:** the risk that the value of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Issuer Risk:** the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or service.
- **Liquidity Risk:** the risk that a particular investment may be difficult to purchase or sell and that the Fund may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector.
- **Derivatives Risk:** the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the Fund could lose more than the principal amount invested.
- **Mortgage-Related and Other Asset-Backed Risk:** the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepay-

ment risk.

- **Foreign (non-U.S.) Investment Risk:** the risk that investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a Fund that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments.
- **Emerging Markets Risk:** the risk of investing in emerging market securities, primarily increased foreign (non-U.S.) investment risk.
- **Currency Risk:** the risk that foreign currencies will decline in value relative to the U.S. dollar and affect the Fund's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to foreign (non-U.S.) currencies.
- **Leveraging Risk:** the risk that certain transactions of the Fund, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, causing the Fund to be more volatile than if it had not been leveraged.
- **Management Risk:** the risk that the investment techniques and risk analyses applied by PIMCO will produce the desired results and that legislative, regulatory, or tax developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the Fund. There is no guarantee that the investment objective of the Fund will be achieved.
- **Short Sale Risk:** the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the Fund.

Fees & Expenses

(Based on the prospectus dated December 29, 2009)

Total Annual Fund Operating Expenses.....0.64%
Expenses deducted from Fund's assets

VANGUARD INFLATION-PROTECTED SECURITIES FUND

Investment Objective

The Fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

Primary Investment Policies

The Fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The Fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all

bonds purchased by the Fund will be rated "investment-grade."

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The Fund's performance could be hurt by: *Income fluctuations, Interest rate risk, or Manager risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 27, 2010)

Total Annual Fund Operating Expenses.....0.12%
Expenses deducted from Fund's assets

T. ROWE PRICE BALANCED FUND

Investment Objective

The Fund seeks to provide capital growth, current income, and preservation of capital through a portfolio of stocks and fixed-income securities.

Primary Investment Policies

The fund normally invests approximately 65% of total assets in U.S. and foreign common stocks and 35% in fixed income securities. The fund will invest at least 25% of total assets in fixed income senior securities.

When deciding upon overall allocations between stocks and fixed income securities, the portfolio manager may favor fixed income securities if the economy is expected to slow sufficiently to hurt corporate profit growth. When strong economic growth is expected, the manager may favor stocks.

When selecting particular stocks, the manager will examine relative values and prospects among growth- and value-oriented stocks, domestic and international stocks, and small- to large-cap stocks. Domestic stocks are drawn from the overall U.S. market, while international equities are selected primarily from large companies in developed countries. Stocks in emerging markets may also be purchased. This process draws heavily upon T. Rowe Price's proprietary stock research enterprise. While the Fund maintains a well-diversified portfolio, its manager may at a particular time shift stock selection toward markets or market sectors that appear to offer attractive value and appreciation potential.

Much the same security selection process applies to bonds. For example, when deciding on whether to adjust allocation to high-yield (junk) bonds, the manager will weigh such factors as the outlook for the economy and corporate earnings and the yield advantage lower-rated bonds offer over investment-grade bonds. The Fund will invest in bonds which may include foreign issue that are primarily investment grade (top four credit ratings) and are chosen from across the entire government, corporate, and mortgage-backed bond markets. Maturities will reflect the manager's outlook for interest rates.

In pursuing its investment objective, the Fund has the discretion to deviate from its normal investment criteria, as previously described, and purchase securities that the fund's management believes will provide an opportunity for substantial appreciation. These situations might arise when the Fund's management believes a security could increase in value for a variety of reasons, including an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development, or a change in management.

In keeping with a Fund's objective, it may also invest in other securities, and use futures, options, and swaps.

Securities may be sold for a variety of reasons, such as to effect a change in asset allocation, secure a gain, limit a loss, or redeploy assets into more promising opportunities.

Primary Risks

As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

- **Asset allocation risk:** The fund's allocations to the various asset classes and market sectors could cause the fund to underperform other funds with a similar investment objective.
- **Risks of stock investing:** Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or particular industry.
- **Risks of bond investing:** Bonds have three main sources of risk. Interest rate risk is the risk that a rise in interest rates will cause the price of a debt security held by the fund to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities. Mortgage-backed securities can react somewhat differently to interest rate changes because falling rates can cause losses of principal due to increased mortgage prepayments and rising rates can lead to decreased prepayments and greater volatility. Credit risk is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing the fund's income level and share price. The risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates. Liquidity risk is the risk that the fund may not be able to sell a security timely or at a desired price.

While the fund's bond investments are expected to primarily be investment-grade, the fund may also hold high-yield (junk) bonds, including those with the lowest credit rating. High-yield bond issuers are more likely to suffer an adverse change in financial condition that would result in the inability to meet a financial obligation. The fund's exposure to credit risk, in particular, is increased to the extent it invests in high-yield bonds.

- **Foreign investing risk:** This is the risk that the fund's investments in foreign securities may be adversely affected by political and economic conditions overseas, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

- **Derivatives risk:** To the extent the fund uses futures, swaps, and other derivatives, it is exposed to additional volatility and potential losses resulting from leverage. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value.

Fees & Expenses

(Based on the prospectus dated May 1, 2010)

Total Annual Fund Operating Expenses.....	0.71%
Expenses deducted from Fund's assets	

VANGUARD REIT INDEX FUND

Investment Objective

The Fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US REIT Index. The index is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). The Fund attempts to replicate the Index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Industry concentration risk, Stock market risk, Interest rate risk, or Investment style risk.* To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated May 28, 2010)

Total Annual Fund Operating Expenses.....	0.26%
Expenses deducted from Fund's assets	

Redemption Fee	1.00%
(On shares held for one year or less)	

VANGUARD VALUE INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Prime Market Value Index, a broadly diversified index predominantly made up of value stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportions as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk* or *Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.26%
Expenses deducted from Fund's assets

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.07%
Expenses deducted from Fund's assets

VANGUARD TOTAL STOCK MARKET INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Bond Market Index, which represents 99.5% or more of the total market capitalization of all the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market. The Fund typically hold 1,200-1,300 of the stocks in its target index (covering nearly 95% of the Index's total market capitalization) and a representative sample of the remaining stocks. The Fund holds a broadly diversified collection of securities that, in the aggregate, approximate the full Index in terms of key characteristics. These key characteristics include industry weighting and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk* or *Index sampling risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.06%
Expenses deducted from Fund's assets

VANGUARD 500 INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk* or *Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

VANGUARD GROWTH INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Prime Market Growth Index, a broadly diversified index predominantly made up of growth stock of large U.S. companies. The Fund attempts to replicate the target index by investing all,

or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk or Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.28%
Expenses deducted from Fund's assets

VANGUARD MID-CAP INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk or Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.27%
Expenses deducted from Fund's assets

VANGUARD EXTENDED MARKET INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the Standard & Poor's Completion Index, a broadly diversified index of stock of small and medium-size U.S. companies. The S&P Completion Index contains all of the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market, except those stocks included in the S&P 500 Index. The Fund invests all, or substantially all, of its assets in stocks of its target index, with nearly 80% of its assets invested in 1,200 stocks in its target index (covering nearly 85% of the Index's total market capitalization), and the rest of its assets in a representative sample of the remaining stocks. The Fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk, Investment style risk, or Index sampling risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.30%
Expenses deducted from Fund's assets

FIDELITY ADVISOR MID CAP II FUND

Investment Objective

The Fund seeks long-term growth of capital.

Primary Investment Policies

Normally investing primarily in common stocks. Normally investing at least 80% of assets in securities of companies with medium market capitalizations (which, for purposes of this fund, are those companies with market capitalizations similar to companies in the Russell Midcap® Index or the Standard & Poor's® Mid-Cap 400 Index (S&P® MidCap 400)). Potentially investing in companies with smaller or larger market capitalizations. Investing in domestic and foreign issuers. Investing in either "growth" stocks or "value" stocks or both. Using Fundamental analysis of factors such as each issuer's financial condition and industry position, as well as market and economic conditions to select investments.

Primary Risks

- **Stock Market Volatility:** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments.
- **Foreign Exposure:** Foreign markets can be more volatile than U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market.
- **Issuer-Specific Changes:** The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.
- **Mid Cap Investing:** the Value of securities of medium size, less well-known issuers can perform differently from the market as a whole and other types of stocks and can be more volatile than that of larger issuers.

Fees & Expenses

(Based on the prospectus dated March 1, 2010)

Total Annual Fund Operating Expenses.....0.95%
Expenses deducted from Fund's assets

VANGUARD SMALL-CAP VALUE INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Small Cap Value Index, a broadly diversified index of value stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk or Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.28%
Expenses deducted from Fund's assets

VANGUARD SMALL-CAP INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk or Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.28%
Expenses deducted from Fund's assets

VANGUARD SMALL-CAP GROWTH INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization growth stocks.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI US Small Cap Growth Index, a broadly diversified index of growth stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk or Investment style risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated April 29, 2010)

Total Annual Fund Operating Expenses.....0.28%
Expenses deducted from Fund's assets

VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND

Investment Objective

The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Europe, the Pacific region, and emerging markets countries.

Primary Investment Policies

The Fund employs a "passive management"--or indexing--investment approach designed to track the performance of the MSCI EAFE + Emerging Markets Index, an index designed to measure the performance of stocks of companies located in Europe, the Pacific region, and emerging markets countries. The Index includes approximately 1,700 stocks of companies located in 43 countries. As of October 31, 2009, the largest markets covered in the Index were the United Kingdom, Japan, France, Australia, Germany, and Switzerland (which made up approximately 16%, 16%, 8%, 6%, 6%, and 6% respectively, of the Index's market capitalization). The Fund invests substantially all of its assets in the common stocks included in its target index, while employing a form of sampling to reduce risk.

Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by: *Stock market risk, Country/regional risk, currency risk, or Index sampling risk*. To see a full description of these risks, please refer to the "Vanguard Summary Risk Table" at the end of Exhibit C.

Fees & Expenses

(Based on the prospectus dated February 26, 2010)

Total Annual Fund Operating Expenses.....0.32%
Expenses deducted from Fund's assets

Redemption Fee2.00%
(On shares held for 60 days or less)

VANGUARD SUMMARY RISK TABLE

Call Risk

The risk that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.

Credit Risk

The risk that an issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Security risk should be low for the Funds because they invest in securities that are considered to be of high quality.

Country/Regional and Currency Risk

The risk that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Currency Risk is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Finally, investments in foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions.

Income Fluctuation Risk

The risk that a Fund's quarterly income distributions will fluctuate considerably more than the income distributions of a typical bond fund. For Vanguard Inflation-Protected Securities Fund, income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation rates are expected to be high.

Income Risk

The risk that the Fund's income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so the Fund's income should fluctuate accordingly.

Index Sampling Risk

The risk that the securities selected for a Fund that uses the sampling method of indexing will not provide investment performance matching that of the Fund's target index. Index Sampling Risk should be low for all of the Funds.

Industry Concentration Risk

The risk that there will be overall problems affecting a particular industry in which a Fund invests more than 25% of its assets. Vanguard Prime Money Market Fund invests more than 25% of its assets in securities of companies in the financial services industry. As a result, the Fund's performance will depend to a greater extent on the overall condition of that industry. Similarly, Vanguard REIT Index Fund is concentrated solely in the real estate industry, its industry concentration risk is high because adverse developments affecting that industry and real property values, might cause the Fund's stocks to decline in value.

Interest Rate Risk

The risk that securities will decline because of rising interest rates. Interest rate risk should be low for short-term bond funds, moderate for intermediate-term bond funds, and high for long-term bond funds and REIT stocks.

Investment Style Risk

The risk that returns from the types of stocks in which a Fund invests will trail returns from the overall stock market. Specific types of stocks (for instance, small-capitalization stocks or value stocks) tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

Manager Risk

The risk that poor security selection will cause a Fund to underperform relevant benchmarks or other funds with a similar investment objective.

Stock Market Risk

The risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of mid- and small-cap stocks often fluctuate more than those of large-cap stocks. In addition, a Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. A Fund's investments in foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions.

FINANCIAL PRIVACY POLICY

Offering excellent service along with protecting your privacy is important to the CollegeCounts 529 Fund ("Plan").

When you do business with the Plan you are asked to provide us with personal information. This information is important because it helps us to effectively process your transactions and helps efforts to prevent access to personal financial information by unauthorized persons. We also gather certain information to comply with laws and regulations that govern the financial services industry.

Union Bank & Trust Company, as the Plan Manager of the CollegeCounts 529 Fund, provides the day-to-day administrative services of the Plan, including the gathering of personal information to effectively serve our customers. We may disclose information we have collected to companies who help us maintain and service your account. For example, we may share information with other companies and professionals who need information to process your account and provide other record keeping services. Each company with whom we share information has agreed to abide by the following and is strictly prohibited from disclosing or using the information for any purpose other than the purposes for which it is provided to them.

As an Account Owner of the Plan, this policy details how we use and safeguard the information you provide to us.

If you have any questions about our Financial Privacy Policy, please contact the CollegeCounts 529 Fund at (866) 529 – 2228.

THE INFORMATION WE COLLECT

We collect information about you from the following sources:

- Information you give us on applications or other forms
- Information about your transactions with us

DISCLOSURE OF INFORMATION

The CollegeCounts 529 Fund does not disclose the personal information of current or former Account Owners and/or Beneficiaries to any other person outside the Plan, unless you consent or it is permitted under applicable federal and state laws. The CollegeCounts 529 Fund may also disclose your personal information if it is allowed or required by its contract with the State of Alabama. With your consent or if allowed by law, we will provide your personal information to the financial professional you designate.

CONFIDENTIALITY AND SECURITY

We restrict access to information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to protect this information.

OUTSIDE SERVICE PROVIDERS/MARKETERS

We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements.

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